

<i>SERFF Tracking Number:</i>	<i>ALSX-125897531</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Allstate Property & Casualty Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>R20571</i>		
<i>TOI:</i>	<i>19.0 Personal Auto</i>	<i>Sub-TOI:</i>	<i>19.0001 Private Passenger Auto (PPA)</i>
<i>Product Name:</i>	<i>Private Passenger Auto</i>		
<i>Project Name/Number:</i>	<i>Rate Filing/R20571</i>		

Filing at a Glance

Company: Allstate Property & Casualty Insurance Company

Product Name: Private Passenger Auto	SERFF Tr Num: ALSX-125897531	State: Arkansas
TOI: 19.0 Personal Auto	SERFF Status: Closed	State Tr Num: EFT \$100
Sub-TOI: 19.0001 Private Passenger Auto (PPA)	Co Tr Num: R20571	State Status: Fees verified and received
Filing Type: Rate	Co Status:	Reviewer(s): Alexa Grissom, Betty Montesi
	Author: SPI AllState	Disposition Date: 12/02/2008
	Date Submitted: 11/11/2008	Disposition Status: Filed
Effective Date Requested (New): 02/23/2009		Effective Date (New): 02/23/2009
Effective Date Requested (Renewal): 03/30/2009		Effective Date (Renewal): 03/30/2009

State Filing Description:

General Information

Project Name: Rate Filing	Status of Filing in Domicile:
Project Number: R20571	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 12/02/2008	
State Status Changed: 11/17/2008	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	

With this filing, Allstate Property & Casualty Insurance Company (AP&C) is proposing a 4.4% rate level increase for private passenger automobile in the state of Arkansas. The increase will be achieved by rate level increases for Bodily Injury, Property Damage, and Medical coverages. With this change, Allstate is revising Rate Adjustment Factors, the Future Effective Date (FED) Discount structure and factors, and the Insurance Group placement for No-Hits and Thin-Files.

<i>SERFF Tracking Number:</i>	<i>ALSX-125897531</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Allstate Property & Casualty Insurance</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
	<i>Company</i>		
<i>Company Tracking Number:</i>	<i>R20571</i>		
<i>TOI:</i>	<i>19.0 Personal Auto</i>	<i>Sub-TOI:</i>	<i>19.0001 Private Passenger Auto (PPA)</i>
<i>Product Name:</i>	<i>Private Passenger Auto</i>		
<i>Project Name/Number:</i>	<i>Rate Filing/R20571</i>		

The 4.4% rate level change will result in approximately \$1.2 million of additional premium.

The target effective date for new business written and renewals processed is February 23, 2009, and renewal business effective March 30, 2009.

Attachment A: Summary of Selected Rate Level Changes

Attachment B: Actuarial Standards of Practice

Material Changes in Sources of Data, Assumptions, or Methods

Formula Calculations for Rate Level Indications

Attachment C: Revision to Future Effective Date Discount

Attachment D: Revision to Insurance Score for No-Hits and Thin-Files

Attachment E: Rate Level Impact of Revisions

Attachment F: Summary of Manual Changes

Company and Contact

Filing Contact Information

Chris Ewing,	(847) 402-5000 [Phone]
2775 Sanders Road	(847) 402-9757[FAX]
Northbrook, IL 60062	

Filing Company Information

Allstate Property & Casualty Insurance	CoCode: 17230	State of Domicile: Illinois
Company		
2775 Sanders Road	Group Code: 8	Company Type:
Suite A5		
Northbrook, IL 60062	Group Name: Allstate	State ID Number:
(847) 402-5000 ext. [Phone]	FEIN Number: 36-3341779	

Filing Fees

Fee Required?	Yes
Fee Amount:	\$100.00
Retaliatory?	No
Fee Explanation:	There is no retaliatory fee for this type of filing
Per Company:	No

Created by SERFF on 12/02/2008 09:05 AM

SERFF Tracking Number:	ALSX-125897531	State:	Arkansas
Filing Company:	Allstate Property & Casualty Insurance Company	State Tracking Number:	EFT \$100
Company Tracking Number:	R20571		
TOI:	19.0 Personal Auto	Sub-TOI:	19.0001 Private Passenger Auto (PPA)
Product Name:	Private Passenger Auto		
Project Name/Number:	Rate Filing/R20571		

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Alexa Grissom	12/02/2008	12/02/2008
Deemed	Alexa Grissom	12/02/2008	12/02/2008

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending Industry Response	Alexa Grissom	11/17/2008	11/17/2008	SPI AllState	11/20/2008	11/20/2008

Amendments

Item	Schedule	Created By	Created On	Date Submitted
ManualR2057 Rate 1		SPI AllState	11/12/2008	11/12/2008

SERFF Tracking Number:	ALSX-125897531	State:	Arkansas
Filing Company:	Allstate Property & Casualty Insurance Company	State Tracking Number:	EFT \$100
Company Tracking Number:	R20571		
TOI:	19.0 Personal Auto	Sub-TOI:	19.0001 Private Passenger Auto (PPA)
Product Name:	Private Passenger Auto		
Project Name/Number:	Rate Filing/R20571		

Disposition

Disposition Date: 12/02/2008

Effective Date (New): 02/23/2009

Effective Date (Renewal): 03/30/2009

Status: Filed

Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
Allstate Property & Casualty Insurance Company	4.400%	\$1,200,000	24,062	\$27,739,496	20.100%	-4.200%	5.200%

SERFF Tracking Number:	ALSX-125897531	State:	Arkansas
Filing Company:	Allstate Property & Casualty Insurance Company	State Tracking Number:	EFT \$100
Company Tracking Number:	R20571		
TOI:	19.0 Personal Auto	Sub-TOI:	19.0001 Private Passenger Auto (PPA)
Product Name:	Private Passenger Auto		
Project Name/Number:	Rate Filing/R20571		

Item Type	Item Name	Item Status	Public Access
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	A-1 Private Passenger Auto Abstract	Filed	Yes
Supporting Document	APCS-Auto Premium Comparison Survey	Filed	Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	RateRuleSchedule, ActIndMemo01, ActIndMemo02	Filed	Yes
Supporting Document	Nov 17 Objection Response	Filed	Yes
Rate	ManualR20571	Filed	Yes
Rate	CheckingListR20571	Filed	Yes
Rate	ManualR20571	Filed	Yes

SERFF Tracking Number:	ALSX-125897531	State:	Arkansas
Filing Company:	Allstate Property & Casualty Insurance Company	State Tracking Number:	EFT \$100
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TOI:	19.0 Personal Auto	Sub-TOI:	19.0001 Private Passenger Auto (PPA)
Product Name:	Private Passenger Auto		
Project Name/Number:	Rate Filing/R20571		

Disposition

Disposition Date: 12/02/2008

Effective Date (New): 02/23/2009

Effective Date (Renewal): 03/30/2009

Status: Deemed

Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
Allstate Property & Casualty Insurance Company	4.400%	\$1,200,000	24,062	\$27,739,496	20.100%	-4.200%	5.200%

SERFF Tracking Number:	ALSX-125897531	State:	Arkansas
Filing Company:	Allstate Property & Casualty Insurance Company	State Tracking Number:	EFT \$100
Company Tracking Number:	R20571		
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Product Name:	Private Passenger Auto		
Project Name/Number:	Rate Filing/R20571		

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Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	RateRuleSchedule, ActIndMemo01, ActIndMemo02	Filed	Yes
Supporting Document	Nov 17 Objection Response	Filed	Yes
Rate	ManualR20571	Filed	Yes
Rate	CheckingListR20571	Filed	Yes
Rate	ManualR20571	Filed	Yes

SERFF Tracking Number:	ALSX-125897531	State:	Arkansas
Filing Company:	Allstate Property & Casualty Insurance Company	State Tracking Number:	EFT \$100
Company Tracking Number:	R20571		
TOI:	19.0 Personal Auto	Sub-TOI:	19.0001 Private Passenger Auto (PPA)
Product Name:	Private Passenger Auto		
Project Name/Number:	Rate Filing/R20571		

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	11/17/2008
Submitted Date	11/17/2008
Respond By Date	
Dear Chris Ewing,	

This will acknowledge receipt of the captioned filing. Please advise why you are not requesting a decrease for comprehensive, since the indication is for a 36 percent decrease.

Please feel free to contact me if you have questions.

Sincerely,
Alexa Grissom

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	11/20/2008
Submitted Date	11/20/2008

Dear Alexa Grissom,

Comments:

In response to the November 17 objection

Response 1

Comments: Please review the attached material.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: Nov 17 Objection Response

Comment:

No Form Schedule items changed.

State: *Arkansas*

State Tracking Number: EFT \$100

Company Tracking Number: R20571

Sub-TOI: 19.0001 Private Passenger Auto (PPA)

Product Name: Private Passenger Auto

Project Name/Number: Rate Filing/R20571

No Rate/Rule Schedule items changed.

Please contact Chris Ewing at 847-402-7309 or chris.ewing@allstate.com if you have further questions or need additional information.

Sincerely,
SPI AllState

SERFF Tracking Number: ALSX-125897531 State: Arkansas
Filing Company: Allstate Property & Casualty Insurance State Tracking Number: EFT \$100
Company
Company Tracking Number: R20571
TOI: 19.0 Personal Auto Sub-TOI: 19.0001 Private Passenger Auto (PPA)
Product Name: Private Passenger Auto
Project Name/Number: Rate Filing/R20571

Amendment Letter

Amendment Date:

Submitted Date: 11/12/2008

Comments:

There was a small typo found on one of the manual pages therefore the typo was corrected and attached is the result.
This typo did not affect rates.

I apologize for any inconvenience,
Chris Ewing

Changed Items:

Rate/Rule Schedule Item Changes:

Exhibit Name:	Rule # or Page #:	Rate Action:	Previous State Filing Numbers:	Attach Document:
ManualR20571	R20571	Replacement		R20571.PDF

SERFF Tracking Number:	ALSX-125897531	State:	Arkansas
Filing Company:	Allstate Property & Casualty Insurance Company	State Tracking Number:	EFT \$100
Company Tracking Number:	R20571		
TOI:	19.0 Personal Auto	Sub-TOI:	19.0001 Private Passenger Auto (PPA)
Product Name:	Private Passenger Auto		
Project Name/Number:	Rate Filing/R20571		

Rate Information

Rate data applies to filing.

Filing Method:	File and Use
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	6.000%
Effective Date of Last Rate Revision:	09/15/2008
Filing Method of Last Filing:	File and Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
Allstate Property & Casualty Insurance Company	5.200%	4.400%	\$1,200,000	24,062	\$27,739,496	20.100%	-4.200%

<i>SERFF Tracking Number:</i>	<i>ALSX-125897531</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Allstate Property & Casualty Insurance</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
	<i>Company</i>		
<i>Company Tracking Number:</i>	<i>R20571</i>		
<i>TOI:</i>	<i>19.0 Personal Auto</i>	<i>Sub-TOI:</i>	<i>19.0001 Private Passenger Auto (PPA)</i>
<i>Product Name:</i>	<i>Private Passenger Auto</i>		
<i>Project Name/Number:</i>	<i>Rate Filing/R20571</i>		

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	ManualR20571	R20571	Replacement	R20571.PDF
Filed	CheckingListR20571	R20571	New	R20571.PDF
Filed	ManualR20571	R20571	Replacement	R20571.PDF

RULE 23 – POLICY GROUP

Each policy will be assigned to a Policy Group based on the Insurance Score assigned when the credit report(s) ordered in connection with the policy were requested.

A. INITIAL POLICY GROUP ASSIGNMENT

For Policy Group assignment on or after 9/19/2005:

<u>Policy Group</u>	<u>Insurance Score</u>
1	0-381
2	382-388
3	389-395
4	396-402
5	403-409
6	410-417
7	418-425
8	426-433
9	434-446
10	447-460
11	461-476
12	477-490
13	491-506
14	507-524
15	525-546
16	547-999

With respect to credit reports requested on and after 2/23/09 where a credit report cannot be obtained, or where a credit report consists only of inquiries, an Insurance Score will be assigned based on the age of the individual at the time of the credit report request as follows:

Age	Insurance Score
Less than 19 years old	455
19 – 64 years old	590
65 years old or older	430

With respect to credit reports requested from 9/19/2005 to 2/23/2009, where a credit report cannot be obtained, or where a credit report consists only of inquiries, an Insurance Score will be assigned based on the age of the individual at the time of the credit report request as follows:

Age	Insurance Score
Less than 19 years old	455
19 – 64 years old	505
65 years old or older	430

RULE 62 – FUTURE EFFECTIVE DATE DISCOUNT

The applicable rates will be reduced by the appropriate factor shown in the Automobile Rating Section if the following criteria are satisfied:

1. The application for the Allstate Property and Casualty Insurance Company policy is completed 7 or more days before the policy effective date at New Business.
2. The policyholder has prior insurance with no lapse in coverage at New Business. A policyholder will be considered to have a lapse at New Business if there is a lapse of 1 day or more between the expiration date of the prior policy and the New Business effective date of the Allstate Property and Casualty Insurance Company policy.

Note: Military personnel returning from active duty will be defined to have had no lapse at new business if:

- a. they had liability insurance coverage in good standing at the time of leaving for active duty, and
- b. can show proof that such active duty was the reason for the loss of continuity of insurance coverage.

Exception: In the case of a customer move from another state, if the policy was receiving the Future Effective Date Discount in the previous state, the discount will also apply to the Arkansas Allstate Property and Casualty Insurance Company policy.

The discount will apply only during the first three policy periods.

ARKANSAS
VOLUNTARY PRIVATE PASSENGER AUTO
PREMIUM CALCULATION

ROUND AFTER EACH CALCULATION TO THE NEAREST PENNY

STEP

#		AA	BB	VC	VM	VW	DD	HH
1	TERRITORIAL BASE RATE (RP-4A and 24A)							
2	RATE ADJUSTMENT FACTOR	x 1.234	x 1.235	x 1.636	x 1.004	x 1.004	x 0.999	x 0.998
3	INCREASED LIMIT FACTOR/ADDEND (RP-5A)	x +	x +	x +	x +	x +	x +	x +
4	DRIVER CLASSIFICATION FACTOR (RP-6A through 9A)	x	x	x			x	x
5	ECONOMY CAR DISCOUNT (RP-18A)	x	x					
6	HOUSEHOLD COMPOSITION FACTOR (RP-20A)	x	x	x			x	x
7	MODEL YEAR FACTOR (RP-21A)						x	x
8	DEDUCTIBLE BY PGS FACTOR (RP-21A)						x	x
9	EXPERIENCE GROUP RATING FACTOR (EGR PAGES)	x	x	x			x	x
10	NEW CAR DISCOUNT (RP-16A)	x	x	x			x	x
11	FIRE AND THEFT FACTOR (RP-24A)						x	x
12	UTILITY DISCOUNT (RP-18A)	x	x	x			x	x
13	RESIDENT STUDENT DISCOUNT (RP-18A)	x	x				x	
14	GOOD STUDENT DISCOUNT (RP-18A)	x	x	x			x	x
15	PASSIVE RESTRAINT DISCOUNT (RP-18A)			x	x	x		
16	MERIT FACTOR (RP-22A)	x	x	x			x	
17	MINOR VIOLATION FACTOR (RP-23A)	x	x				x	
18	INEXP. OPERATOR SURCHARGE FACTOR (RP-18A)	x	x				x	
19	MAJOR VIOLATION SURCHARGE FACTOR (RP-23A)	x	x				x	
20	FARM DISCOUNT FACTOR (RP-19A)	x	x				x	
21	CAMPER UNIT ADDITIONAL PREMIUM (RP-24A)						+	+
22	55 AND RETIRED DISCOUNT (RP-18A)	x	x	x			x	x
23	ACCIDENT PREVENTION COURSE DISCOUNT (RP-18A)	x	x				x	x
24	TIER (RP-10A through 15A)	x	x	x			x	x
25	PREMIER PLUS DISCOUNT (RP-16A)	x	x	x			x	x
26	PREMIER DISCOUNT (RP-16A)	x	x	x			x	x
27	MULTIPLE POLICY DISCOUNT (RP-17A)	x	x	x			x	x
28	CERTIFIED RISK SURCHARGE FACTOR (RP-18A)	x	x				x	
29	ANTI-LOCK BRAKE DISCOUNT (RP-18A)	x	x				x	
30	THE GOOD HANDS PEOPLE® DISCOUNT (RP-18A)	x	x	x			x	x
31	THE GOOD PAYER DISCOUNT FACTOR (RP-19A)	x	x	x			x	x
32	THE ALLSTATE EASY PAY PLAN DISCOUNT (RP-19A)	x	x	x			x	x
33	FUTURE EFFECTIVE DATE DISCOUNT (RP-19A)	x	x	x			x	x
34	ALLSTATE® YOUR CHOICE AUTO INSURANCE OPTION PACKAGE FACTOR (RP-19A)	x	x	x			x	x
35	TOTAL COVERAGE PREMIUM							

36	UM COVERAGE (SS)	
	UM - BI BASE RATE (RP-4A)	
	RATE ADJUSTMENT FACTOR	x 1.023
	UM - BI INCREASED LIMIT FACTOR (RP-5A)	x
	UM - PD INCREASED LIMIT ADDEND (RP-5A)	+
	TOTAL UM COVERAGE PREMIUM	=

37	UIM COVERAGE (SU)	
	UIM - BI BASE RATE (RP-4A)	
	RATE ADJUSTMENT FACTOR	x 1.020
	UIM - BI INCREASED LIMIT FACTOR (RP-5A)	x
	TOTAL UIM COVERAGE PREMIUM	=

38	RENTAL REIMBURSEMENT (UU)	
	RENTAL REIMBURSEMENT BASE RATE (RP-24A)	
	RENTAL REIMBURSEMENT LIMIT FACTOR (RP-5A)	x
	TOTAL RENTAL REIMBURSEMENT COVERAGE PREMIUM	=

39	MISCELLANEOUS COVERAGES	
	TOWING (IJ) (RP-24A)	+
	SOUND SYSTEMS (ZA) (RP-24A)	+
	TAPE (ZZ) (RP-24A)	+
	NEW CAR EXPANDED PROTECTION (NC) (RP-3A)	+
	TOTAL MISCELLANEOUS COVERAGES	=

40	TOTAL SEMI-ANNUAL PREMIUM =	
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NOTES

Territory #: _____

Tier: _____

Classification: _____

Limits of Liability: _____

Model Year: _____

PGS: _____

DD/HH Deductibles: _____

ARKANSAS
VOLUNTARY PRIVATE PASSENGER AUTO
NEW CAR EXPANDED PROTECTION PREMIUM CALCULATION

ROUND AFTER EACH CALCULATION TO THE NEAREST PENNY

NEW CAR EXPANDED PROTECTION COVERAGE (NC) - RULE 53*

STEP #		DD	HH
1	TERRITORIAL BASE RATE (RP-4A)		
2	RATE ADJUSTMENT FACTOR (RP-2A)	x 0.999	x 0.998
3	DRIVER CLASSIFICATION FACTOR (RP-6A through 9A)	x	x
4	HOUSEHOLD COMPOSITION FACTOR (RP-20A)	x	x
5	MODEL YEAR FACTOR (RP-21A)	x	x
6	DEDUCTIBLE BY PGS FACTOR* (RP-21A)	x	x
7	EXPERIENCE GROUP RATING FACTOR (EGR PAGES)	x	x
8	NEW CAR DISCOUNT FACTOR (RP-16A)	x	x
9	UTILITY DISCOUNT (RP-18A)	x	x
10	RESIDENT STUDENT DISCOUNT FACTOR (RP-18A)	x	
11	GOOD STUDENT DISCOUNT FACTOR (RP-18A)	x	x
12	MERIT FACTOR (RP-22A)	x	
13	MINOR VIOLATION FACTOR (RP-23A)	x	
14	INEXPERIENCED OPERATOR SURCHARGE FACTOR (RP-18A)	x	
15	MAJOR VIOLATION SURCHARGE FACTOR (RP-23A)	x	
16	FARM DISCOUNT FACTOR (RP-19A)	x	
17	55 AND RETIRED DISCOUNT FACTOR (RP-18A)	x	x
18	ACCIDENT PREVENTION COURSE DISCOUNT (RP-18A)	x	x
19	TIER FACTOR (RP-10A through 15A)	x	x
20	PREMIER PLUS DISCOUNT FACTOR (RP-16A)	x	x
21	PREMIER DISCOUNT FACTOR (RP-16A)	x	x
22	MULTIPLE POLICY DISCOUNT FACTOR (RP-17A)	x	x
23	ANTI-LOCK BRAKE DISCOUNT (RP-18A)	x	
24	THE GOOD HANDS PEOPLE® DISCOUNT FACTOR (RP-18A)	x	x
25	THE GOOD PAYER DISCOUNT FACTOR (RP-19A)	x	x
26	THE ALLSTATE EASY PAY PLAN DISCOUNT (RP-19A)	x	x
27	FUTURE EFFECTIVE DATE DISCOUNT (RP-19A)	x	x
28	ALLSTATE® YOUR CHOICE AUTO INSURANCE OPTION PACKAGE FACTOR (RP-19A)	x	x
29	NEW CAR EXPANDED PROTECTION FACTOR (RP-24A)	x	x
30	TOTAL COVERAGE PREMIUM		

*\$100 DEDUCTIBLE FOR COLLISION, \$50 FOR COMPREHENSIVE

**ARKANSAS
VOLUNTARY PRIVATE PASSENGER AUTO
RATING FACTORS**

RATING PLAN	RATING		FACTOR				
	RULE	GROUP	AA	BB	VC	DD	HH
FARM DISCOUNT	37	*	0.90	0.90	N/A	0.90	N/A
GOOD PAYER DISCOUNT	60	*	0.95	0.93	0.95	0.93	0.95
ALLSTATE EASY PAY PLAN DISCOUNT	61						
Allstate		*	0.95	0.95	0.95	0.95	0.95
Gold Protection		*	0.95	0.95	0.95	0.95	0.95
Platinum Protection		*	0.95	0.95	0.95	0.95	0.95
FUTURE EFFECTIVE DATE DISCOUNT	62						
<u>Number of Times Renewed</u>							
0		*	0.90	0.90	0.90	0.90	0.90
1		*	0.90	0.90	0.90	0.90	0.90
2		*	0.95	0.95	0.95	0.95	0.95
3		*	1.00	1.00	1.00	1.00	1.00
4		*	1.00	1.00	1.00	1.00	1.00
5+		*	1.00	1.00	1.00	1.00	1.00
ALLSTATE® YOUR CHOICE AUTO							
INSURANCE OPTION PACKAGE FACTORS	52						
Allstate Value Plan		*	0.87	0.87	0.87	0.87	0.87
Allstate		*	1.00	1.00	1.00	1.00	1.00
Gold Protection		*	1.07	1.07	1.07	1.07	1.07
Platinum Protection		*	1.15	1.15	1.15	1.15	1.15

* All Rating Groups

CHECKING LIST FOR PRIVATE PASSENGER AUTO

Printing dates are shown on each page to facilitate identification of different editions, but have no direct connection with the effective date of the page.

RULES

Enclosed: Page 23-1 dated 3-1-2009
Page 62-1 dated 3-1-2009

Withdrawn: Page 23-1 dated 7-1-2005
Page 62-1 dated 9-1-2007

PREMIUM SECTION

Enclosed: Page RP-2A dated 3-1-2009
Page RP-3A dated 3-1-2009
Page RP-19A dated 3-1-2009

Withdrawn: Page RP-2A dated 9-30-2008
Page RP-3A dated 9-30-2008
Page RP-19A dated 9-30-2008

RULE 23 – POLICY GROUP

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A. INITIAL POLICY GROUP ASSIGNMENT

For Policy Group assignment on or after 9/19/2005:

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4	396-402
5	403-409
6	410-417
7	418-425
8	426-433
9	434-446
10	447-460
11	461-476
12	477-490
13	491-506
14	507-524
15	525-546
16	547-999

With respect to credit reports requested on and after 2/23/09 where a credit report cannot be obtained, or where a credit report consists only of inquiries, an Insurance Score will be assigned based on the age of the individual at the time of the credit report request as follows:

<u>Age</u>	<u>Insurance Score</u>
Less than 19 years old	455
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65 years old or older	430

With respect to credit reports requested from 9/19/2005 to 2/23/2009, where a credit report cannot be obtained, or where a credit report consists only of inquiries, an Insurance Score will be assigned based on the age of the individual at the time of the credit report request as follows:

<u>Age</u>	<u>Insurance Score</u>
Less than 19 years old	455
19 – 64 years old	505
65 years old or older	430

RULE 62 – FUTURE EFFECTIVE DATE DISCOUNT

The applicable rates will be reduced by the appropriate factor shown in the Automobile Rating Section if the following criteria are satisfied:

1. The application for the Allstate Property and Casualty Insurance Company policy is completed 7 or more days before the policy effective date at New Business.
2. The policyholder has prior insurance with no lapse in coverage at New Business. A policyholder will be considered to have a lapse at New Business if there is a lapse of 1 day or more between the expiration date of the prior policy and the New Business effective date of the Allstate Property and Casualty Insurance Company policy.

Note: Military personnel returning from active duty will be defined to have had no lapse at new business if:

- a. they had liability insurance coverage in good standing at the time of leaving for active duty, and
- b. can show proof that such active duty was the reason for the loss of continuity of insurance coverage.

Exception: In the case of a customer move from another state, if the policy was receiving the Future Effective Date Discount in the previous state, the discount will also apply to the Arkansas Allstate Property and Casualty Insurance Company policy.

The discount will apply only during the first three policy periods.

ARKANSAS
VOLUNTARY PRIVATE PASSENGER AUTO
PREMIUM CALCULATION

ROUND AFTER EACH CALCULATION TO THE NEAREST PENNY

STEP

#		AA	BB	VC	VM	VW	DD	HH
1	TERRITORIAL BASE RATE (RP-4A and 24A)							
2	RATE ADJUSTMENT FACTOR	x 1.243	x 1.235	x 1.636	x 1.004	x 1.004	x 0.999	x 0.998
3	INCREASED LIMIT FACTOR/ADDEND (RP-5A)	x	+	x	+	+		
4	DRIVER CLASSIFICATION FACTOR (RP-6A through 9A)	x	x	x			x	x
5	ECONOMY CAR DISCOUNT (RP-18A)	x	x					
6	HOUSEHOLD COMPOSITION FACTOR (RP-20A)	x	x	x			x	x
7	MODEL YEAR FACTOR (RP-21A)						x	x
8	DEDUCTIBLE BY PGS FACTOR (RP-21A)						x	x
9	EXPERIENCE GROUP RATING FACTOR (EGR PAGES)	x	x	x			x	x
10	NEW CAR DISCOUNT (RP-16A)	x	x	x			x	x
11	FIRE AND THEFT FACTOR (RP-24A)	x	x	x			x	x
12	UTILITY DISCOUNT (RP-18A)	x	x	x			x	x
13	RESIDENT STUDENT DISCOUNT (RP-18A)	x	x				x	
14	GOOD STUDENT DISCOUNT (RP-18A)	x	x	x			x	x
15	PASSIVE RESTRAINT DISCOUNT (RP-18A)			x	x	x		
16	MERIT FACTOR (RP-22A)	x	x	x			x	
17	MINOR VIOLATION FACTOR (RP-23A)	x	x				x	
18	INEXP. OPERATOR SURCHARGE FACTOR (RP-18A)	x	x				x	
19	MAJOR VIOLATION SURCHARGE FACTOR (RP-23A)	x	x				x	
20	FARM DISCOUNT FACTOR (RP-19A)	x	x				x	
21	CAMPER UNIT ADDITIONAL PREMIUM (RP-24A)						+	+
22	55 AND RETIRED DISCOUNT (RP-18A)	x	x	x			x	x
23	ACCIDENT PREVENTION COURSE DISCOUNT (RP-18A)	x	x				x	x
24	TIER (RP-10A through 15A)	x	x	x			x	x
25	PREMIER PLUS DISCOUNT (RP-16A)	x	x	x			x	x
26	PREMIER DISCOUNT (RP-16A)	x	x	x			x	x
27	MULTIPLE POLICY DISCOUNT (RP-17A)	x	x	x			x	x
28	CERTIFIED RISK SURCHARGE FACTOR (RP-18A)	x	x					
29	ANTI-LOCK BRAKE DISCOUNT (RP-18A)	x	x				x	
30	THE GOOD HANDS PEOPLE® DISCOUNT (RP-18A)	x	x	x			x	x
31	THE GOOD PAYER DISCOUNT FACTOR (RP-19A)	x	x	x			x	x
32	THE ALLSTATE EASY PAY PLAN DISCOUNT (RP-19A)	x	x	x			x	x
33	FUTURE EFFECTIVE DATE DISCOUNT (RP-19A)	x	x	x			x	x
34	ALLSTATE® YOUR CHOICE AUTO INSURANCE OPTION PACKAGE FACTOR (RP-19A)	x	x	x			x	x
35	TOTAL COVERAGE PREMIUM							

36	UM COVERAGE (SS)	
	UM - BI BASE RATE (RP-4A)	
	RATE ADJUSTMENT FACTOR	x 1.023
	UM - BI INCREASED LIMIT FACTOR (RP-5A)	x
	UM - PD INCREASED LIMIT ADDEND (RP-5A)	+
	TOTAL UM COVERAGE PREMIUM	=

37	UIM COVERAGE (SU)	
	UIM - BI BASE RATE (RP-4A)	
	RATE ADJUSTMENT FACTOR	x 1.020
	UM - BI INCREASED LIMIT FACTOR (RP-5A)	x
	TOTAL UIM COVERAGE PREMIUM	=

38	RENTAL REIMBURSEMENT (UU)	
	RENTAL REIMBURSEMENT BASE RATE (RP-24A)	
	RENTAL REIMBURSEMENT LIMIT FACTOR (RP-5A)	x
	TOTAL RENTAL REIMBURSEMENT COVERAGE PREMIUM	=

39	TOWING (JJ) (RP- 24A)	
	SOUND SYSTEMS (ZA) (RP- 24A)	+
	TAPE (ZZ) (RP- 24A)	+
	NEW CAR EXPANDED PROTECTION (NC) (RP-3A)	+
	TOTAL MISCELLANEOUS COVERAGES	=

40	TOTAL SEMI-ANNUAL PREMIUM =	
----	-----------------------------	--

NOTES

Territory #: _____

Tier: _____

Classification: _____

Limits of Liability: _____

Model Year: _____

PGS: _____

DD/HH Deductibles: _____

ARKANSAS
VOLUNTARY PRIVATE PASSENGER AUTO
NEW CAR EXPANDED PROTECTION PREMIUM CALCULATION

ROUND AFTER EACH CALCULATION TO THE NEAREST PENNY

NEW CAR EXPANDED PROTECTION COVERAGE (NC) - RULE 53*

STEP #		DD	HH
1	TERRITORIAL BASE RATE (RP-4A)		
2	RATE ADJUSTMENT FACTOR (RP-2A)	x 0.999	x 0.998
3	DRIVER CLASSIFICATION FACTOR (RP-6A through 9A)	x	x
4	HOUSEHOLD COMPOSITION FACTOR (RP-20A)	x	x
5	MODEL YEAR FACTOR (RP-21A)	x	x
6	DEDUCTIBLE BY PGS FACTOR* (RP-21A)	x	x
7	EXPERIENCE GROUP RATING FACTOR (EGR PAGES)	x	x
8	NEW CAR DISCOUNT FACTOR (RP-16A)	x	x
9	UTILITY DISCOUNT (RP-18A)	x	x
10	RESIDENT STUDENT DISCOUNT FACTOR (RP-18A)	x	
11	GOOD STUDENT DISCOUNT FACTOR (RP-18A)	x	x
12	MERIT FACTOR (RP-22A)	x	
13	MINOR VIOLATION FACTOR (RP-23A)	x	
14	INEXPERIENCED OPERATOR SURCHARGE FACTOR (RP-18A)	x	
15	MAJOR VIOLATION SURCHARGE FACTOR (RP-23A)	x	
16	FARM DISCOUNT FACTOR (RP-19A)	x	
17	55 AND RETIRED DISCOUNT FACTOR (RP-18A)	x	x
18	ACCIDENT PREVENTION COURSE DISCOUNT (RP-18A)	x	x
19	TIER FACTOR (RP-10A through 15A)	x	x
20	PREMIER PLUS DISCOUNT FACTOR (RP-16A)	x	x
21	PREMIER DISCOUNT FACTOR (RP-16A)	x	x
22	MULTIPLE POLICY DISCOUNT FACTOR (RP-17A)	x	x
23	ANTI-LOCK BRAKE DISCOUNT (RP-18A)	x	
24	THE GOOD HANDS PEOPLE® DISCOUNT FACTOR (RP-18A)	x	x
25	THE GOOD PAYER DISCOUNT FACTOR (RP-19A)	x	x
26	THE ALLSTATE EASY PAY PLAN DISCOUNT (RP-19A)	x	x
27	FUTURE EFFECTIVE DATE DISCOUNT (RP-19A)	x	x
28	ALLSTATE® YOUR CHOICE AUTO INSURANCE OPTION PACKAGE FACTOR (RP-19A)	x	x
29	NEW CAR EXPANDED PROTECTION FACTOR (RP-24A)	x	x
30	TOTAL COVERAGE PREMIUM		

*\$100 DEDUCTIBLE FOR COLLISION, \$50 FOR COMPREHENSIVE

**ARKANSAS
VOLUNTARY PRIVATE PASSENGER AUTO
RATING FACTORS**

RATING PLAN	RULE	RATING	FACTOR				
		GROUP	AA	BB	VC	DD	HH
FARM DISCOUNT	37	*	0.90	0.90	N/A	0.90	N/A
GOOD PAYER DISCOUNT	60	*	0.95	0.93	0.95	0.93	0.95
ALLSTATE EASY PAY PLAN DISCOUNT	61						
Allstate		*	0.95	0.95	0.95	0.95	0.95
Gold Protection		*	0.95	0.95	0.95	0.95	0.95
Platinum Protection		*	0.95	0.95	0.95	0.95	0.95
FUTURE EFFECTIVE DATE DISCOUNT	62						
<u>Number of Times Renewed</u>							
0		*	0.90	0.90	0.90	0.90	0.90
1		*	0.90	0.90	0.90	0.90	0.90
2		*	0.95	0.95	0.95	0.95	0.95
3		*	1.00	1.00	1.00	1.00	1.00
4		*	1.00	1.00	1.00	1.00	1.00
5+		*	1.00	1.00	1.00	1.00	1.00
ALLSTATE® YOUR CHOICE AUTO							
INSURANCE OPTION PACKAGE FACTORS	52						
Allstate Value Plan		*	0.87	0.87	0.87	0.87	0.87
Allstate		*	1.00	1.00	1.00	1.00	1.00
Gold Protection		*	1.07	1.07	1.07	1.07	1.07
Platinum Protection		*	1.15	1.15	1.15	1.15	1.15

* All Rating Groups

SERFF Tracking Number:	ALSX-125897531	State:	Arkansas
Filing Company:	Allstate Property & Casualty Insurance Company	State Tracking Number:	EFT \$100
Company Tracking Number:	R20571		
TOI:	19.0 Personal Auto	Sub-TOI:	19.0001 Private Passenger Auto (PPA)
Product Name:	Private Passenger Auto		
Project Name/Number:	Rate Filing/R20571		

Supporting Document Schedules

Bypassed -Name:	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Review Status:	Filed	12/02/2008
Bypass Reason:	Not applicable			
Comments:				

Satisfied -Name:	A-1 Private Passenger Auto Abstract	Review Status:	Filed	12/02/2008
Comments:				
Attachment:	PPA Abstract (Form A1).PDF			

Satisfied -Name:	APCS-Auto Premium Comparison Survey	Review Status:	Filed	12/02/2008
Comments:				
Attachments:	APCS.PDF APCS.XLS			

Satisfied -Name:	Uniform Transmittal Document-Property & Casualty	Review Status:	Filed	12/02/2008
Comments:				
Attachment:	AR - NAIC P&C TRANSMITTAL DOCUMENT.PDF			

Satisfied -Name:	NAIC loss cost data entry document	Review Status:	Filed	12/02/2008
Comments:				
Attachment:				

<i>SERFF Tracking Number:</i>	<i>ALSX-125897531</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Allstate Property & Casualty Insurance</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
	<i>Company</i>		
<i>Company Tracking Number:</i>	<i>R20571</i>		
<i>TOI:</i>	<i>19.0 Personal Auto</i>	<i>Sub-TOI:</i>	<i>19.0001 Private Passenger Auto (PPA)</i>
<i>Product Name:</i>	<i>Private Passenger Auto</i>		
<i>Project Name/Number:</i>	<i>Rate Filing/R20571</i>		

Form RF-1.PDF

SERFF Tracking Number: ALSX-125897531 State: Arkansas
Filing Company: Allstate Property & Casualty Insurance State Tracking Number: EFT \$100
Company
Company Tracking Number: R20571
TOI: 19.0 Personal Auto Sub-TOI: 19.0001 Private Passenger Auto (PPA)
Product Name: Private Passenger Auto
Project Name/Number: Rate Filing/R20571

Satisfied -Name: RateRuleSchedule, ActIndMemo01, **Review Status:**
ActIndMemo02 Filed 12/02/2008

Comments:

Attachments:

RateRuleSchedule.PDF
ActIndMemo01.PDF
ActIndMemo02.PDF

Satisfied -Name: Nov 17 Objection Response **Review Status:**
Filed 12/02/2008

Comments:

Attachment:

Nov 17 Objection Response.PDF

PRIVATE PASSENGER AUTOMOBILE ABSTRACT

Instructions: All questions must be answered. If the answer is "none" or "Not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent homeowners rate/rule submission that do not alter the information contained herein need not include this form.

Company Name: Allstate Property & Casualty Insurance Company
NAIC No.: 17230 Group No.: 0008

1. Are there any areas in the State of Arkansas in which your company will not write automobile insurance?
No

2. Do you furnish a market for young drivers? Yes
Over age 65 drivers? Yes

3. Do you require collateral business to support a youthful driver risk? No

4. Do you insure driver with an international or foreign driver's license? No

5. Specify the percentage you allow in credit or discounts for the following*:

a.	Driver Over 55	<u>10</u>	<u>%</u>
b.	Good Student Discount	<u>10-20</u>	<u>%</u>
c.	Multi-car Discount	<u>N/A</u>	<u>%</u>
d.	Accident Free Discount*		<u>%</u>
	*Please Specify Qualification for Discount (see the following page)		
e.	Anti-theft Discount	<u>N/A</u>	<u>%</u>
f.	Other (specify)		
	<u>Resident Student Discount</u>	<u>20-35</u>	<u>%</u>
	<u>Economy Car Discount</u>	<u>10</u>	<u>%</u>
	<u>Utility Discount</u>	<u>10-25</u>	<u>%</u>
	<u>Multiple Policy Discount</u>	<u>5 or 10</u>	<u>%</u>
	<u>Good Payer Discount</u>	<u>5</u>	<u>%</u>
	<u>Anti-lock Brake Discount</u>	<u>10</u>	<u>%</u>
	<u>Passive Restraint Discount</u>	<u>10-30</u>	<u>%</u>
	<u>Accident Prevention Course Discount</u>	<u>5 or 10</u>	<u>%</u>
	<u>"The Good Hands People® Discount"</u>	<u>10</u>	<u>%</u>
	<u>Allstate Easy Pay Plan Discount</u>	<u>5</u>	<u>%</u>
	<u>Future Effective Date Discount</u>	<u>0-10</u>	<u>%</u>

6. Do you have an installment payment plan for automobile insurance? Yes
If so, what is the fee for installment payments? \$3.50

7. Does your company utilize a tiered rating plan? Yes
If so, list the programs and percentage difference. Rating Group 1. Rating Group 2. Rating Group 3. Rating Group 4. Please Refer to Rules and Rates Manual for Further Details Regarding This Tiering Structure.
State the current volume for each program.

<u>Rating Group 1</u>	<u>\$25,956,943</u>
<u>Rating Group 2</u>	<u>\$7,201,273</u>
<u>Rating Group 3</u>	<u>\$417,101</u>
<u>Rating Group 4</u>	<u>\$293,679</u>

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF

Aurora Delaney
Signature
Actuarial Assistant
Title
847-402-0137
Telephone Number

*Please reference the Rules and Rates Manual for further details regarding qualifications for these discounts and more information regarding to which coverages these discounts apply.

5.(d) Accident-free Discount

Please reference Rule 58 in the Rules Manual for details on the Premier and Premier Plus Discount. Based on a combination of the occurrence date of the last chargeable accident and the occurrence date of the last non-chargeable accident, a customer may be slotted into Premier Discount Levels 1-3 or Premier Plus Discount Levels 1-3. The corresponding discount percentages can be found in the Rates Manual.

Private Passenger Auto Premium Comparison Survey Form
FORM APCS - last modified August 2005

NAIC Number: 17230
 Company Name: Allstate Property & Casualty Insurance Company
 Contact Person: Chris Ewing
 Telephone No.: 1-800-366-2958 Ext. 27309
 Email Address: chris.ewing@allstate.com
 Effective Date: 2/23/2009

Assumptions to Use:

- 1 Liability -Minimum \$25,000 per person
- 2 Bodily Injury \$50,000 per accident
\$25,000 per accident
- 3 Property Damage \$100 deductible per accident
- 4 Comprehensive & Collision \$250 deductible per accident
- 5 The insured has elected to accept:
 Uninsured motorist property and bodily injury equal to liability coverage
 Underinsured bodily injury equal to liability coverage
- 6 Personal Injury Protection of \$5,000 for medical, loss wages according to statute and \$5,000 accidental
- 7 If male and female rates are different, use the highest of the two

Submit to: Arkansas Insurance Department
 1200 West Third Street
 Little Rock, AR 72201-1904

Telephone: 501-371-2800
 Email as an attachment insurance.pnc@arkansas.gov
 You may also attach to a SERFF filing or submit on a compact disk

DISCOUNTS OFFERED:
 PASSIVE RESTRAINT/AIRBAG 10-30 %
 AUTO/HOMEOWNERS 10 %
 GOOD STUDENT 10-20 %
 ANTI-THEFT DEVICE 0 %
 Over 55 Defensive Driver Discount 10 %
 \$250/\$500 Deductible Comp./Coll. 10-31 %

		Fayetteville				Trumann				Little Rock				Lake Village				Pine Bluff			
		Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female
Vehicle	Coverages Gender Age	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66
1999 Chevrolet Silverado 1500 2WD "LS" regular cab 119" WB	Minimum Liability	\$425	\$509	\$181	\$197	\$485	\$580	\$203	\$222	\$524	\$631	\$216	\$236	\$433	\$518	\$184	\$200	\$722	\$868	\$293	\$324
	Minimum Liability with Comprehensive and Collision	\$974	\$1,351	\$410	\$406	\$1,063	\$1,466	\$438	\$441	\$1,057	\$1,443	\$424	\$434	\$1,131	\$1,593	\$485	\$471	\$1,410	\$1,916	\$565	\$581
	100/300/50 Liability with Comprehensive and Collision	\$897	\$1,229	\$376	\$378	\$986	\$1,343	\$406	\$413	\$989	\$1,334	\$397	\$410	\$1,026	\$1,427	\$438	\$431	\$1,334	\$1,791	\$532	\$555
2003 Ford Explorer "XLT" 2WD, 4 door	Minimum Liability	\$400	\$474	\$175	\$191	\$458	\$544	\$197	\$217	\$492	\$587	\$208	\$228	\$406	\$480	\$177	\$193	\$693	\$825	\$288	\$320
	Minimum Liability with Comprehensive and Collision	\$1,198	\$1,693	\$497	\$492	\$1,305	\$1,834	\$531	\$533	\$1,278	\$1,782	\$507	\$518	\$1,412	\$2,022	\$596	\$579	\$1,706	\$2,364	\$677	\$695
	100/300/50 Liability with Comprehensive and Collision	\$1,084	\$1,514	\$449	\$451	\$1,189	\$1,651	\$483	\$491	\$1,174	\$1,617	\$466	\$481	\$1,261	\$1,786	\$531	\$521	\$1,584	\$2,167	\$627	\$651
2003 Honda Odyssey "EX"	Minimum Liability	\$360	\$426	\$159	\$173	\$409	\$485	\$178	\$195	\$440	\$525	\$188	\$205	\$368	\$435	\$162	\$176	\$604	\$718	\$254	\$281
	Minimum Liability with Comprehensive and Collision	\$1,050	\$1,478	\$432	\$431	\$1,145	\$1,603	\$462	\$467	\$1,127	\$1,566	\$444	\$456	\$1,234	\$1,760	\$515	\$504	\$1,488	\$2,058	\$587	\$605
	100/300/50 Liability with Comprehensive and Collision	\$948	\$1,320	\$391	\$394	\$1,039	\$1,439	\$420	\$429	\$1,030	\$1,416	\$408	\$422	\$1,101	\$1,553	\$459	\$454	\$1,373	\$1,877	\$542	\$564
2005 Toyota Camry LE 3.0L 4 door Sedan	Minimum Liability	\$442	\$525	\$191	\$207	\$502	\$597	\$214	\$234	\$542	\$648	\$226	\$247	\$453	\$537	\$195	\$212	\$741	\$881	\$307	\$339
	Minimum Liability with Comprehensive and Collision	\$1,446	\$2,050	\$578	\$580	\$1,578	\$2,228	\$620	\$630	\$1,553	\$2,177	\$597	\$614	\$1,706	\$2,447	\$692	\$682	\$2,041	\$2,847	\$787	\$813
	100/300/50 Liability with Comprehensive and Collision	\$1,295	\$1,818	\$518	\$525	\$1,420	\$1,984	\$559	\$572	\$1,406	\$1,951	\$542	\$562	\$1,511	\$2,147	\$612	\$609	\$1,864	\$2,572	\$719	\$750
2003 Cadillac Seville "STS" 4 door Sedan	Minimum Liability	\$350	\$415	\$154	\$168	\$399	\$474	\$173	\$189	\$429	\$514	\$183	\$199	\$355	\$422	\$156	\$170	\$597	\$712	\$249	\$275
	Minimum Liability with Comprehensive and Collision	\$1,839	\$2,690	\$763	\$735	\$1,977	\$2,878	\$802	\$783	\$1,892	\$2,734	\$746	\$742	\$2,236	\$3,305	\$950	\$896	\$2,481	\$3,574	\$980	\$977
	100/300/50 Liability with Comprehensive and Collision	\$1,610	\$2,336	\$666	\$648	\$1,740	\$2,511	\$704	\$694	\$1,677	\$2,401	\$660	\$663	\$1,940	\$2,845	\$819	\$781	\$2,213	\$3,157	\$871	\$877
1998 Chevrolet Cavalier LS 4D Sedan	Minimum Liability	\$435	\$517	\$187	\$204	\$496	\$591	\$211	\$231	\$535	\$640	\$223	\$244	\$443	\$527	\$191	\$208	\$741	\$884	\$305	\$338
	Minimum Liability with Comprehensive and Collision	\$977	\$1,345	\$401	\$407	\$1,075	\$1,471	\$434	\$445	\$1,075	\$1,459	\$424	\$440	\$1,125	\$1,570	\$468	\$465	\$1,436	\$1,938	\$567	\$593
	100/300/50 Liability with Comprehensive and Collision	\$903	\$1,227	\$371	\$380	\$998	\$1,350	\$403	\$418	\$1,006	\$1,350	\$398	\$417	\$1,024	\$1,412	\$425	\$428	\$1,360	\$1,814	\$536	\$567

<i>SERFF Tracking Number:</i>	<i>ALSX-125897531</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Allstate Property & Casualty Insurance</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
	<i>Company</i>		
<i>Company Tracking Number:</i>	<i>R20571</i>		
<i>TOI:</i>	<i>19.0 Personal Auto</i>	<i>Sub-TOI:</i>	<i>19.0001 Private Passenger Auto (PPA)</i>
<i>Product Name:</i>	<i>Private Passenger Auto</i>		
<i>Project Name/Number:</i>	<i>Rate Filing/R20571</i>		

Attachment "APCS.XLS" is not a PDF document and cannot be reproduced here.


Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
g. SERFF Filing #:		
h. Subject Codes		

3. Group Name	Allstate				Group NAIC #	008
4. Company Name(s)	Domicile	NAIC #	FEIN #	State #		
Allstate Property & Casualty Insurance Company	IL	17230	36-3341779			

5. Company Tracking Number	R20571
-----------------------------------	--------

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
Chris Ewing 2775 Sanders Road, Suite A5 Northbrook IL 60062		800-366-2958 Ext. 27309	847-402-9757	
7. Signature of authorized filer				
8. Please print name of authorized filer	Chris Ewing			

Filing Information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	19.0 Personal Auto			
10. Sub-Type of Insurance (Sub-TOI)	19.0001 Private Passenger Auto (PPA)			
11. State Specific Product code(s) (if applicable) [See State Specific Requirements]				
12. Company Program Title (Marketing Title)	Private Passenger Auto			
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)			
14. Effective Date(s) Requested	New:	02/23/2009	Renewal:	03/30/2009
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
16. Reference Organization (if applicable)	N/A			
17. Reference Organization # & Title	N/A			
18. Company's Date of Filing	11-11-2008			
19. Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved			

Property & Casualty Transmittal Document

20.	This filing transmittal is part of Company Tracking #	R20571
21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]	

With this filing, Allstate Property & Casualty Insurance Company (AP&C) is proposing a 4.4% rate level increase for private passenger automobile in the state of Arkansas. The increase will be achieved by rate level increases for Bodily Injury, Property Damage, and Medical coverages. With this change, Allstate is revising Rate Adjustment Factors, the Future Effective Date (FED) Discount structure and factors, and the Insurance Group placement for No-Hits and Thin-Files.

The 4.4% rate level change will result in approximately \$1.2 million of additional premium.

The target effective date for new business written and renewals processed is February 23, 2009, and renewal business effective March 30, 2009.

- Attachment A: Summary of Selected Rate Level Changes
- Attachment B: Actuarial Standards of Practice
Material Changes in Sources of Data, Assumptions, or Methods
Formula Calculations for Rate Level Indications
- Attachment C: Revision to Future Effective Date Discount
- Attachment D: Revision to Insurance Score for No-Hits and Thin-Files
- Attachment E: Rate Level Impact of Revisions
- Attachment F: Summary of Manual Changes

22.	Filing Fees (Filer must provide check # and fee amount if applicable.) [If a state requires you to show how you calculated your filing fees, place that calculation below]
<div style="margin-bottom: 10px;"> Check #: Fee paid via EFT Amount: \$100.00 </div> <p>There is no retaliatory fee for this type of filing</p> <p>Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.</p>	

***Refer to each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

FORM RF-1 Rate Filing Abstract NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	R20571
2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	

		Company Name		Company NAIC Number
3.	A.	Allstate Property & Casualty Insurance Company	B.	008-17230

		Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
4.	A.	19.0 Personal Auto	B.	19.0001 Private Passenger Auto (PPA)

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Bodily Injury	24.2	9.0	N/A	N/A	N/A	N/A	N/A
Property Damage	24.3	9.0	N/A	N/A	N/A	N/A	N/A
Medical	82.3	26.0	N/A	N/A	N/A	N/A	N/A
Uninsured/Underinsured Motorists	3.2	0.0	N/A	N/A	N/A	N/A	N/A
Collision	-1.3	0.0	N/A	N/A	N/A	N/A	N/A
Comprehensive	-36.6	0.0	N/A	N/A	N/A	N/A	N/A
TOTAL OVERALL EFFECT	5.2	4.4					

6.

5 Year History

Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2006	11,719 (earned exposures)	N/A	N/A	9,467,907	5,825,563 (includes ALAE)	0.62	0.57
2007	25,138 (earned exposures)	N/A	N/A	20,118,863	12,302,595 (includes ALAE)	0.61	0.61
2008 (through 9/30/08)	30,385 (earned exposures)	6.0%	9/15/08	21,240,534	13,418,173 (includes ALAE)	0.63	0.62

7.

Expense Constants	Selected Provisions
A. Total Production Expense	4.6%
B. General Expense	Liab - 4.9% Phys Dmg - 5.1%
C. Taxes, License & Fees	Liab -3.0%; Phys Dmg - 3.1%
D. Underwriting Profit & Contingencies	Liab- 9.9% Phys Dmg-11.4%
E. Other (explain)	Debt Provision: 1.24% ULAE: Liab-18.2% Phys Dmg-15.0% (ULAE is a

									percentage of losses)
								F. TOTAL	

8.

N

Apply Lost Cost Factors to Future filings? (Y or N)
9.

20.1%

Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable):

45
10.

-4.2%

Estimated Maximum Rate Decrease for any Insured (%). Territory (if applicable):

43

PROPERTY & CASUALTY RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	R20571
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	N/A
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☒ Rate Increase
 ☐ Rate Decrease
 ☐ Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	Use and File
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4a.	Rate Change by Company (As Proposed)
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Company Name	Overall % Indicated Change (when Applicable)	Overall % Rate Impact	Written Premium Change for this program	# of policyholders affected for this program	Written premium for this program	Maximum %Change (where required)	Minimum %Change (where required)
Allstate Property & Casualty Insurance Company	5.2%	4.4%	\$1.2 million	24,062	\$27,739,496	20.1%	-4.2%

4b.	Rate Change by Company (As Accepted) For State Use Only
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Company Name	Overall % Indicated Change (when Applicable)	Overall % Rate Impact	Written Premium Change for this program	# of policyholders affected for this program	Written premium for this program	Maximum %Change (where required)	Minimum %Change (where required)

5. Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a.	Overall percentage rate indication(when applicable)		
5b.	Overall percentage rate impact for this filing		
5c.	Effect of Rate Filing – Written premium change for this program		
5d.	Effect of Rate Filing - Number of policyholders affected		

6.	Overall percentage of last rate revision	6.0%
7.	Effective Date of last rate revision	9/15/08
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File and Use

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	Page 23-1	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02	Page 62-1	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03	RP-2A	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
04	RP-3A	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
05	RP-19A	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

Effective March 1, 2007

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO
ARKANSAS**

**ATTACHMENT A
SUMMARY OF SELECTED RATE LEVEL CHANGE**

The table below contains the rate level indication and selected changes by coverage for private passenger auto business in Allstate Property and Casualty Company (AP&C) in the state of Arkansas. Further details of the rate level indications shown below can be found in **Attachment B**.

Coverage	Rate Level Indication	Selected Rate Level Change
Bodily Injury	+24.2%	+9.0%
Property Damage	+24.3%	+9.0%
Medical	+82.3%	+26.0%
Uninsured/Underinsured Motorists	+3.2%	N/C
Collision	-1.3%	+0.0%
Comprehensive	-36.6%	+0.0%
Total	+5.2%	+4.4%

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
VOLUNTARY PRIVATE PASSENGER AUTOMOBILE
ARKANSAS**

ACTUARIAL STANDARDS OF PRACTICE

This document confirms compliance with the following Actuarial Standards of Practices that are applicable to the preparation of statewide rate filings performed by casualty actuaries as stated in "Applicability Guidelines for Actuarial Standards of Practice" (American Academy of Actuaries, September 2004). In addition, references to relevant sections of this filing are included, where applicable.

- Actuarial Standard of Practice No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations*
 - Att B, Page 2: Material Changes in Sources of Data, Assumptions, or Methods
 - Att B, Pages 3-10: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 12, *Risk Classification (for all Practice Areas)*
 - This ASOP is not applicable to this rate filing as risk classification systems were not designed, reviewed, or changed.
- Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*
 - Att B, Pages 3-8, 10: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 23, *Data Quality*
 - Att B, Page 3: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*
 - Att B, Pages 4, 6: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*
 - Att B, Pages 7 and 8: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 30, *Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*
 - Att B, Page 9: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 38, *Using Models Outside the Actuary's Area of Expertise (Property and Casualty)*
 - This ASOP is not applicable to this rate filing, as no models outside of the Actuary's Area of Expertise were applied
- Actuarial Standard of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*
 - Att B, Page 7: Formula Calculation for Rate Level Indications Explanatory Memorandum
- Actuarial Standard of Practice No. 41, *Actuarial Communications*
 - Applies to this filing in its entirety

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
VOLUNTARY PRIVATE PASSENGER AUTOMOBILE
ARKANSAS**

MATERIAL CHANGES IN SOURCES OF DATA, ASSUMPTIONS, OR METHODS

This document lists all material changes in sources of data, assumptions, or methods from the last Allstate rate level indication filing. These changes are further described in the subsequent memos in compliance with Actuarial Standard of Practice No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations*.

- Profit Provision
 - Update to methodology as described in Attachment B, Page 9

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
VOLUNTARY PRIVATE PASSENGER AUTOMOBILE
FORMULA CALCULATIONS FOR RATE LEVEL INDICATIONS
ARKANSAS**

The data used in the calculation of the rate level indication was selected in accordance with the considerations listed in Section 3.2 of Actuarial Standard or Practice No. 23, *Data Quality*. The calculation of the rate level indication is consistent with the Statement of Principles Regarding Property and Casualty Insurance Ratemaking contained in Appendix 1 of Actuarial Standard of Practice No. 9, *Documentation and Disclosure in Property and Casualty Insurance Ratemaking, Loss Reserving, and Valuations*.

Exhibits 1.0 through 3.5 of this attachment show the Determination of Statewide Rate Level Indications, the Development of Provision for Loss and LAE, and the Projected Average Earned Premium formula calculations used in the rate level indications for Arkansas. A rate level indication is a test of the adequacy of expected revenues versus expected costs during the future policy period. Therefore, to derive the indicated rate level need accurately, Allstate's historical premium and loss experience needs to be adjusted. In accordance with Section 5.3 of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*, Allstate trends the underlying historical experience for premiums, losses, and fixed expenses to appropriately reflect historical and projected changes in these components of the rate level indications. In addition, historical premiums must be adjusted to reflect the current rate level; and historical losses must be adjusted to reflect expected development over time and to smooth the actual losses due to catastrophes. Details of these necessary adjustments to the historical data used in the rate level indication are described in this memorandum. The adjustments have been applied to Arkansas's premium and loss experience in deriving the indicated rate level changes by coverage.

The table below summarizes the results of the formula calculation of indicated rate level. Also displayed are the actual rate level changes being proposed.

<u>Coverage</u>	<u>Indicated Rate Level Change</u>	<u>Proposed Change</u>
Bodily Injury	<u>+ 24.2%</u>	<u>+ 9.0%</u>
Property Damage	<u>+ 24.3%</u>	<u>+ 9.0%</u>
Medical	<u>+ 82.3%</u>	<u>+ 26.0%</u>
Uninsured/Underinsured Motorists	<u>+ 3.2%</u>	<u>N/C</u>
Collision	<u>- 1.3%</u>	<u>+ 0.0%</u>
Comprehensive	<u>- 36.6%</u>	<u>+ 0.0%</u>
Total	<u>+ 5.2%</u>	<u>+ 4.4%</u>

BASE DATA

In developing formula indications for Arkansas, data from fiscal accident years ending March 31, 2007 and March 31, 2006 for all coverages was used. Each of these fiscal accident years is evaluated as of June 30, 2008. Consistent with past Allstate Property and Casualty Insurance Company filings, total limits data was used for all coverages.

Accident Year Weights

Since Allstate Property and Casualty Insurance Company was introduced in Arkansas in September of 2005, there are two full accident years of data available at the time of this indication. To arrive at a provision for loss and loss adjustment expense by coverage, both accident years were used for each coverage. The following weights were applied for the following coverages for the two most recent years:

Coverage	1 st Prior Year	2 nd Prior Year
Bodily Injury	67%	33%
Property Damage	65%	35%
Medical	60%	40%
Uninsured/Underinsured Motorists	67%	33%
Collision	63%	37%
Comprehensive	64%	36%

To arrive at projected average earned premium, the latest accident year was used for all coverages.

ADJUSTMENTS TO LOSSES

Loss Development

Allstate's standard loss development procedure is to select ultimate accident year losses after analyzing estimates developed using the Link Ratio and Additive methods. Accident year incurred losses are developed for the liability coverages. Accident year paid losses are developed for the Physical Damage coverages.

To calculate estimated ultimate losses using the Link Ratio methods, historical age-to-age link ratios are calculated, which represent loss development between different evaluation periods. An average of the historical link ratios is then used to estimate the ultimate level of paid losses to be used in ratemaking. This method assumes that historical loss development patterns can be used to estimate future loss development on current immature claims.

Due to the limited amount of data in Allstate Property and Casualty Insurance Company, the loss development factors and addends for Allstate Insurance Group (which includes both Allstate Property and Casualty Company and Allstate Insurance Company) were used for all coverages. It is expected that loss development patterns for Allstate Property and Casualty Insurance Company will be similar to Allstate Insurance Group since the claims settlement practices are the same for both Allstate Property and Casualty Company and Allstate Insurance Company.

For the Additive loss development method, historical losses are first trended to today's price level using pure premium trends selected from Allstate Insurance Group data. This is done to avoid distortions due to changes in the underlying loss costs. Please note that the selected pure premium trend that is used in loss development often differs from the selected trend that applies to the underlying data. This is due the different lengths of trend periods in each analysis. Trended additive amounts per exposures are calculated, which represent trended loss development between different evaluation periods. An average of the historical trended additive amount per exposure is then used to estimate the ultimate trended level of paid losses. Trended age-to-ultimate additive amounts per exposure are multiplied by earned exposures for each accident year to calculate trended losses that have yet to emerge. A final step in the Additive Method is to detrend the trended losses yet to emerge. Losses are detrended because the application of trend is accounted for in a separate step in the ratemaking process. This method assumes that historical loss development patterns per exposure can be used to estimate future loss development on current immature claims.

Refer to **Exhibit 4.0** of this attachment for a summary of the estimated ultimate losses resulting from the link ratio method and from the additive method as well as the selected ultimate losses. Support for the ultimate losses resulting from the link ratio method can be found in **Exhibits 4.1 through 4.6**. A summary of the trends selected to adjust historical losses for the additive method is shown in **Exhibit 4.7**. Supporting trend data is included in **Appendix A** of this attachment. Support for the ultimate losses resulting from the Additive method can be found in **Exhibits 4.8 through 4.13**. Please note that the actual three year average loss development factors and additive amounts per exposure were used for Collision, and Comprehensive coverages. For Bodily Injury, Property Damage, Medical, and Uninsured/Underinsured Motorists coverages, a five year average excluding high and low values was used due to the additional volatility of these longer tail coverages.

Loss Adjustment Expenses

Losses in the experience period for each coverage have been adjusted to account for unallocated loss adjustment expenses (ULAE). A separate provision is developed for liability coverages and for physical damage coverages using countrywide Allstate Insurance Group private passenger automobile data. A three-year average of the ratios of countrywide calendar year ULAE to countrywide calendar year incurred losses is used to determine the ULAE provision.

The average ratio, calculated separately for all liability coverages and for all physical damage coverages, is then applied to the losses for each associated coverage for each year used in the formula calculation. The expense ratios that have been used in this filing are shown in **Exhibits 5.0 and 5.1**.

Allocated loss adjustment expenses are included in both incurred losses and paid losses.

Loss Trend

In order to more appropriately account for changes in exposure levels, Allstate is adjusting the calculations underlying frequencies and severities. Allstate employs a methodology of calculating frequency and severity amounts that more consistently matches the losses and claims paid with the exposures that produced the claims. This methodology is described in “The Effect of Changing Exposure Levels on Calendar Year Loss Trends” (*Casualty Actuarial Society Forum*, Winter 2005) by Chris Styrsky.

Allstate selects separate premium and loss trends for AP&C, as has traditionally been done in Allstate filings. AP&C loss trends will be selected after consideration of Allstate Insurance Group (combined AP&C and AIC) data. Generally, the amount of consideration given to AP&C-specific data will depend on the amount of time the company has been open, and the speed at which claims for a particular coverage are paid. AP&C data for quick-paying coverages will be given greater consideration, and AP&C data for slower-paying coverages given less, or even no consideration. By varying the amount of consideration given to AP&C data by coverage, Allstate is appropriately considering the effect of this known bias in the data as required by Section 5.4 of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

At this time, relying solely on AP&C data for all coverages remains inappropriate because of distortion that occurs in paid loss trend data of newly opened companies. The distortion arises from the fact that, initially, each successive data point will contain paid claims arising from a successively longer period of time. For example, in Year 1 of a company’s existence, only claims occurring in Year 1 will be paid. However, paid claims in Year 2 may include claims that occurred in both Year 2 and Year 1. Similarly, in Year 3, claims occurring in Years 3, 2, and 1 could be paid. As a result, new company paid loss data tends to overstate the actual trend, and continues to do so until each data point includes claims arising from an accident period of equal length. The length of time over which the distortion occurs therefore corresponds approximately to the amount of time it takes for all claims arising from a particular accident year to settle.

Using adjusted Allstate Insurance Group data for the state of Arkansas, past changes in actual frequency and severity on a twelve-month-moving basis (evaluated at each quarter) were examined. After considering past results, claim practice changes, countrywide Allstate data, credibility level of Allstate data, industry data, and actuarial judgment, annual pure premium trends were selected for each coverage. The credibility level of Allstate loss trend data was analyzed by coverage based on the number of claims paid in the latest experience year, which is consistent with the criteria for selecting a credibility procedure outlined in section 3 of Actuarial Standards of Practice No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*. Please note that we have selected trend and projection factors separately for each coverage. These selected trends are displayed in **Exhibit 6.0**. These annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. These projected factors are shown in **Exhibits 2.0 through 2.5**. Allstate Insurance Group trend data is included as **Appendix B** to this attachment.

Paid frequency and paid severity data was primarily relied upon when selecting trends. Also, in order to reflect additional stability in Allstate’s trend data for Comprehensive coverage, Comprehensive data excluding catastrophes was used for selecting the trend.

This approach for selecting pure premium trends is consistent with the Current Practices and

Alternatives detailed in Section 4 of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

Catastrophes

An adjustment has been made to Comprehensive coverage losses to more appropriately account for catastrophes in the base data. All actual catastrophe losses during the experience period were removed and then replaced with a provision to reflect expected catastrophe losses in Arkansas. A catastrophe loss provision based upon 25 years of Allstate Insurance Group data was used. The provision was calculated by dividing total catastrophe losses by total Comprehensive coverage incurred losses excluding catastrophes over the 25-year period. The resulting catastrophe provision is 17.5%. The catastrophe provision is developed in **Exhibit 7.0** and is applied to the Comprehensive coverage losses in **Exhibit 2.5**. This adjustment to account for catastrophes is consistent with the Analysis of Issues and Recommended Practices detailed in Section 3.4 of Actuarial Standards of Practice No. 39, *Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*.

EXPENSES, PROFIT PROVISION

The expense provisions described below were derived in accordance to Section 3.2, Determining Expense Provisions, of Actuarial Standard of Practice No 29, *Expense Provisions in Property/Casualty Insurance Ratemaking*.

Exhibit 8.0 shows the expense provisions used in developing the current fixed and variable expense ratios, as well as the underwriting profit and debt provisions.

Fixed Expenses

General and Other Acquisition Expense

Provisions

The provisions for general expense and other acquisition expense are based on countrywide data. Since the methods and procedures that incur these expenses are uniform within each state, it is a reasonable assumption that these expense provisions are uniform across all states. To develop the provision for other acquisition and general expenses, a three-year average of countrywide calendar year incurred expense divided by countrywide calendar year direct earned premium was calculated. These figures are taken from the Insurance Expense Exhibit. The provision for Other Acquisition Expense has been reduced by the amount of installment fees collected. In addition, the provision has been adjusted for premiums written off. The General Expense has been reduced to account for anticipated salary savings resulting from a workforce-reduction initiative that Allstate completed in early 2006.

Rate Need Calculations

In developing the dollar provision for general and other acquisition expenses used in the calculation of our Arkansas rate level need by coverage, the three-year countrywide average expense ratio for general and other acquisition expenses is applied to the average earned premium of Arkansas. The Arkansas average earned premium is developed using the same three-year period used in the calculation of the countrywide expense ratio. The provision is then adjusted for inflation expected to occur from the midpoint of the three years used in the calculation of the average earned premium to the average earned date of the proposed policy period to derive the provision included in the rate level indications.

The expense provisions for other acquisition and general expenses are shown in **Exhibits 9.0 and 9.1**, respectively.

Trend (Inflation)

The method used to calculate the fixed expense trend is similar to the method used by the Insurance Services Office (I.S.O.) and other competitors to determine a fixed expense trend. The method utilizes the CPI (Consumer Price Index) and the ECI (Employment Cost Index – Insurance Carriers, Agents, Brokers, & Service) and is discussed by Geoffrey Todd Werner, FCAS, MAAA in his paper Incorporation of Fixed Expenses, which was published in the *CAS Forum* (Winter 2004). Based on a review of the historical indices, an annual percentage change is selected for each index. These selected annual percent changes are then weighted together using the distribution of the Allstate expenditures in the latest calendar year for the two broad expense categories that these indices represent. This method is expected to produce stable and reasonable estimates of the true trend in fixed expenses and is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*. This trend is applied only to general and other acquisition expenses. Support for the selected annual fixed expense trend is shown on **Exhibit 9.2**. **Exhibit 9.3** shows the derivation of the Factor to Adjust for Subsequent Change in Fixed Expense.

Variable Expenses

Commission and Brokerage Expense

The proposed commission and brokerage expense provision has been developed from the actual calendar year 2007 commission and brokerage incurred expense ratio in Arkansas.

Taxes, Licenses & Fees

Under normal circumstances, the provision for taxes is determined by taking the currently prescribed Arkansas premium tax ratio and adding to that the arithmetic average ratio of other assessments that vary by the size of the premium from the latest three calendar years in Arkansas AP&C. However, since the AP&C book has not been open for three years, currently, only two calendar years are used. When three are available, the standard method will be used.

A provision for licenses and fees that do not vary by premium size is determined by taking the arithmetic average ratio of these licenses and fees from the latest three calendar years in Arkansas (all companies). The provision for licenses and fees is considered, along with the general and other acquisition expense provisions, to be a fixed expense.

Underwriting Profit Provision

Prior to September, 2008, Allstate relied solely on the Fama-French Three-factor (FF3F) Model to estimate its cost of equity. The methodology underlying this calculation of the cost of equity reflects developments in the field of financial economics as published in the *Casualty Actuarial Society Forum*, Winter, 2004 and in *Journal of Risk and Insurance*, Vol. 72, No. 3, September 2005 (“Estimating the Cost of Equity Capital For Property-Liability Insurers” by J. David Cummins and Richard D. Phillips).

In September, 2008, Allstate incorporated the use of a second methodology – a Discounted Cash Flow (DCF) analysis – into the estimation of its cost of equity. A DCF analysis estimates the expected future cash flows to investors in order to gauge the proper cost of equity. Once both the DCF and FF3F estimates had been calculated, Allstate selected a cost of equity of 10.00%, which reflected the outcomes of both analyses.

In addition, previously both the cost of equity and the cost of debt were used to develop the underwriting profit provision. With this filing, we will be developing the underwriting profit provision using only the cost of equity. Since the cost of debt represents expected, quantifiable future payments to be made to bondholders, confusion can result from including it in the derivation of the underwriting profit provision. Therefore, the cost of debt has been removed from the development of the underwriting profit provision and incorporated as a separate provision. Note that the resulting rate level is unaffected by this change; it is simply a matter of clarity of presentation.

An analysis of premium, loss and expense cash flows is used to calculate the investment income on policyholder supplied funds (PHSF). This methodology is one of the two examples given in Actuarial Standards of Practice, No. 30 as appropriate methods for recognizing investment income from insurance operations (page 4).

The calculations detailing this investment income analysis are found in Exhibits **Exhibits 10.0 and 10.1** for liability and physical damage coverages, respectively. The rate (applied as a force of interest) used to discount losses and expenses includes anticipated net investment income and anticipated capital gains, both realized and unrealized. Operating cash flows are discounted to the average time of earnings of premium and profit for the policy year, rather than to the start of the policy year.

Please refer to the attached document titled “The Development of the Underwriting Profit Provision” for more information. This can be found in **Appendix D** of this Attachment.

Debt Provision

The cost of debt is listed as a separate provision in the Variable Expense and Profit Ratio as described below. The debt provision amount is shown on **Exhibit 8.0**.

ADJUSTMENTS TO PREMIUMS

All premiums in the experience period were adjusted to current rate level in Arkansas. Allstate uses a refined methodology that assumes that exposures are written uniformly by month, using a procedure described in a discussion by Frank Karlinski of the paper entitled "A Refined Model for Premium Adjustment", by David Miller and George Davis. (Mr. Karlinski's discussion appeared in the Proceedings of the Casualty Actuarial Society (PCAS), Vol. LXIV, 1977, and the paper by Miller and Davis appeared in the PCAS, Vol LXIII, 1976). This method (which we call "Miller-Davis-Karlinski"), more accurately calculates factors to current rate level in instances when exposures are changing throughout the year, whether through growth, shrinkage or seasonality. (When exposures are, in fact, written uniformly throughout the year, this method produces approximately the same answers as the parallelogram method.)

We also use the Miller-Davis-Karlinski method to bring premiums to current rate level prior to calculating the changes in average premium (the premium trends).

In addition to bringing premiums to current rate level, changes in the average written premium at the current premium level were reviewed. Based upon this review, historical premium trends were selected to account for shifts in the distribution of various rating characteristics such as driver classification, increased limits, model year and price group symbols (PGS). Since the effects on losses caused by these shifts are reflected in the loss trends, it is important that Allstate also account for the anticipated future changes in premiums. Therefore, projected premium trend was taken into consideration when calculating the rate level need by coverage.

The selected projection factors are displayed in **Exhibit 11.0**. These annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. The projection factors are also shown in **Exhibits 3.0 through 3.5**. AP&C premium trend data is included as **Appendix C** of this attachment. Please note that only 6-point trends have been shown on the trend exhibits. Because only the latest year of average earned premium (accident year ending March 31, 2008) was used in this indication, only a projection factor was applied. Only the 6-point trends, along with actuarial judgment, were considered.

This approach for selecting premium trends is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standards of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*.

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Determination of Statewide Rate Level Indication
Bodily Injury

1) Indicated Provision for Loss and Loss Adjustment Expense	\$131.70
2) Current Fixed Expense Ratio	9.5 %
3) Three Year Average Earned Premium	\$146.09
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	\$13.88
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.105
6) Indicated Provision for Fixed Expense [(4) x (5)]	\$15.34
7) Variable Expense and Profit Ratio	26.3 %
8) Indicated Average Premium [(1) + (6)] / [1 - (7)]	\$199.51
9) Projected Average Earned Premium at Current Rates	\$160.58
10) Indicated Rate Level Change [(8) / (9) - 1.0]	24.2 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Determination of Statewide Rate Level Indication
Property Damage

1) Indicated Provision for Loss and Loss Adjustment Expense	\$118.60
2) Current Fixed Expense Ratio	9.5 %
3) Three Year Average Earned Premium	\$132.32
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	\$12.57
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.105
6) Indicated Provision for Fixed Expense [(4) x (5)]	\$13.89
7) Variable Expense and Profit Ratio	26.3 %
8) Indicated Average Premium [(1) + (6)] / [1 - (7)]	\$179.77
9) Projected Average Earned Premium at Current Rates	\$144.65
10) Indicated Rate Level Change [(8) / (9) - 1.0]	24.3 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Determination of Statewide Rate Level Indication
Medical

1) Indicated Provision for Loss and Loss Adjustment Expense	\$42.56
2) Current Fixed Expense Ratio	9.5 %
3) Three Year Average Earned Premium	\$28.59
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	\$2.72
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.105
6) Indicated Provision for Fixed Expense [(4) x (5)]	\$3.01
7) Variable Expense and Profit Ratio	26.3 %
8) Indicated Average Premium [(1) + (6)] / [1 - (7)]	\$61.83
9) Projected Average Earned Premium at Current Rates	\$33.92
10) Indicated Rate Level Change [(8) / (9) - 1.0]	82.3 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Determination of Statewide Rate Level Indication
Uninsured / Underinsured Motorist

1) Indicated Provision for Loss and Loss Adjustment Expense	\$42.74
2) Current Fixed Expense Ratio	9.5 %
3) Three Year Average Earned Premium	\$59.10
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	\$5.61
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.105
6) Indicated Provision for Fixed Expense [(4) x (5)]	\$6.20
7) Variable Expense and Profit Ratio	26.3 %
8) Indicated Average Premium [(1) + (6)] / [1 - (7)]	\$66.40
9) Projected Average Earned Premium at Current Rates	\$64.34
10) Indicated Rate Level Change [(8) / (9) - 1.0]	3.2 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Determination of Statewide Rate Level Indication
Collision

1) Indicated Provision for Loss and Loss Adjustment Expense	\$242.68
2) Current Fixed Expense Ratio	9.8 %
3) Three Year Average Earned Premium	\$342.77
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	\$33.59
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.105
6) Indicated Provision for Fixed Expense [(4) x (5)]	\$37.12
7) Variable Expense and Profit Ratio	27.8 %
8) Indicated Average Premium [(1) + (6)] / [1 - (7)]	\$387.53
9) Projected Average Earned Premium at Current Rates	\$392.46
10) Indicated Rate Level Change [(8) / (9) - 1.0]	-1.3 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Determination of Statewide Rate Level Indication
Comprehensive

1) Indicated Provision for Loss and Loss Adjustment Expense	\$80.96
2) Current Fixed Expense Ratio	9.8 %
3) Three Year Average Earned Premium	\$206.82
4) Current Dollar Provision for Fixed Expense [(2) x (3)]	\$20.27
5) Factor to Adjust for Subsequent Change in Fixed Expense	1.105
6) Indicated Provision for Fixed Expense [(4) x (5)]	\$22.40
7) Variable Expense and Profit Ratio	27.8 %
8) Indicated Average Premium [(1) + (6)] / [1 - (7)]	\$143.16
9) Projected Average Earned Premium at Current Rates	\$225.68
10) Indicated Rate Level Change [(8) / (9) - 1.0]	-36.6 %

[illegible]

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Fiscal Year Ending	Earned Exposures	Accident Year Non-Catastrophe Ultimate Loss	Ultimate Loss and LAE	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE (5)/(1)	Experience Year Weights
3/31/2007	15,383	\$1,477,000	\$1,745,814	1.033	\$1,803,426	\$117.24	35 %
3/31/2008	28,088	2,772,000	3,276,504	1.023	3,351,864	119.33	65
			(8) Indicated Provision for Loss and LAE			\$118.60	

Development of Provision for Loss and LAE
Medical

<u>Development of Provision for Loss and LAE</u>						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Fiscal Year Ending	Accident Year Non-Catastrophe Ultimate Loss	Ultimate Loss and LAE	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE (5)/(1)	Experience Year Weights
3/31/2007	11,780	\$412,000	1.000	\$486,984	\$41.34	40 %
3/31/2008	21,314	782,000	1.000	924,324	43.37	60
(8) Indicated Provision for Loss and LAE						\$42.56

[illegible]

Development of Provision for Loss and LAE Collision

Development of Provision for Loss and LAE							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Fiscal Year Ending	Accident Year Non-Catastrophe Ultimate Loss	Ultimate Loss and LAE	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE (5)/(1)	Experience Year Weights
	3/31/2007	10,393	\$2,023,000	\$2,326,450	1.066	\$2,479,996	37 %
	3/31/2008	19,094	3,890,000	4,473,500	1.046	4,679,281	63
							</

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Development of Provision for Loss and LAE
Comprehensive

Development of Provision for Loss and LAE

Fiscal Year Ending	(1) Earned Exposures	(2) Accident Year Non-Catastrophe Ultimate Loss	(3) Average Catastrophe Factor	(4) Accident Year Ultimate Loss (2) * (1+(3))	(5) Ultimate Loss and LAE	(6) Factor to Adjust Losses for Pure Premium Trend at 6/30/2008	(7) Projected Ultimate Loss and LAE	(8) Projected Average Loss and LAE (7)/(1)	(9) Experience Year Weights
3/31/2007	10,609	\$737,000	0.175	\$865,975	\$995,871	0.906	\$902,259	\$85.05	36 %
3/31/2008	19,463	1,213,000	0.175	1,425,275	1,639,066	0.934	1,530,888	78.66	64
								\$80.96	

(10) Indicated Provision for Loss and LAE

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Development of Projected Average Earned Premium
Bodily Injury

<u>Development of Projected Average Earned Premium at Current Rates</u>						
	(1)	(2)	(3)	(4)	(5)	(6)
	Fiscal Year Ending	Earned Exposures	Earned Premium at Current Rates	Factor to Adjust to Projected Premium Level	Projected Earned Premium at Current Rates (2) x (3)	Projected Average Earned Premium at Current Rates (4) / (1)
						Experience Year Weights
	3/31/2008	28,088	\$4,829,017	0.934	\$4,510,302	\$160.58
						100 %
					(7) Projected Average Earned Premium At Current Rates	\$160.58

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Development of Projected Average Earned Premium
Property Damage

<u>Development of Projected Average Earned Premium at Current Rates</u>						
	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Year Ending	Earned Exposures	Earned Premium at Current Rates	Factor to Adjust to Projected Premium Level	Projected Earned Premium at Current Rates (2) x (3)	Projected Average Earned Premium at Current Rates (4) / (1)	Experience Year Weights
3/31/2008	28,088	\$4,350,133	0.934	\$4,063,024	\$144.65	100 %
				(7) Projected Average Earned Premium At Current Rates	\$144.65	

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Development of Projected Average Earned Premium
Medical

<u>Development of Projected Average Earned Premium at Current Rates</u>						
Fiscal Year Ending	(1) Earned Exposures	(2) Earned Premium at Current Rates	(3) Factor to Adjust to Projected Premium Level	(4) Projected Earned Premium at Current Rates (2) x (3)	(5) Projected Average Earned Premium at Current Rates (4) / (1)	(6) Experience Year Weights
3/31/2008	21,314	\$811,325	0.891	\$722,891	\$33.92	100 %
(7) Projected Average Earned Premium At Current Rates					\$33.92	

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Development of Projected Average Earned Premium
Uninsured / Underinsured Motorist

<u>Development of Projected Average Earned Premium at Current Rates</u>						
	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Year Ending	Earned Exposures	Earned Premium at Current Rates	Factor to Adjust to Projected Premium Level	Projected Earned Premium at Current Rates (2) x (3)	Projected Average Earned Premium at Current Rates (4) / (1)	Experience Year Weights
3/31/2008	26,910	\$1,712,647	1.011	\$1,731,486	\$64.34	100 %
				(7) Projected Average Earned Premium At Current Rates	\$64.34	

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Development of Projected Average Earned Premium
Collision

<u>Development of Projected Average Earned Premium at Current Rates</u>						
	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Year Ending	Earned Exposures	Earned Premium at Current Rates	Factor to Adjust to Projected Premium Level	Projected Earned Premium at Current Rates (2) x (3)	Projected Average Earned Premium at Current Rates (4) / (1)	Experience Year Weights
3/31/2008	19,094	\$7,164,065	1.046	\$7,493,612	\$392.46	100 %
				(7) Projected Average Earned Premium At Current Rates	\$392.46	

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Development of Projected Average Earned Premium
Comprehensive

<u>Development of Projected Average Earned Premium at Current Rates</u>						
	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Year Ending	Earned Exposures	Earned Premium at Current Rates	Factor to Adjust to Projected Premium Level	Projected Earned Premium at Current Rates (2) x (3)	Projected Average Earned Premium at Current Rates (4) / (1)	Experience Year Weights
3/31/2008	19,463	\$4,293,682	1.023	\$4,392,437	\$225.68	100 %
				(14) Projected Average Earned Premium At Current Rates	\$225.68	

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Ultimate Losses (excluding ULAE)

Coverage	Year	Ultimate Losses		
		Link Ratio Estimate	Additive Estimate	Selected
Bodily Injury	2007	1,584,137	1,589,139	1,589,000
Bodily Injury	2008	3,210,174	3,123,466	3,123,000
Property Damage	2007	1,478,465	1,477,275	1,477,000
Property Damage	2008	2,780,536	2,772,200	2,772,000
Medical Payments	2007	407,226	412,124	412,000
Medical Payments	2008	763,212	782,125	782,000
Uninsured/Underinsured Motorists	2007	649,615	608,362	608,000
Uninsured/Underinsured Motorists	2008	799,717	758,607	759,000
Collision	2007	2,023,293	2,022,984	2,023,000
Collision	2008	3,879,735	3,889,936	3,890,000
Comprehensive (excluding catastrophes)	2007	737,560	737,265	737,000
Comprehensive (excluding catastrophes)	2008	1,214,584	1,212,638	1,213,000

Allstate Insurance Group
Private Passenger Auto
Arkansas

Calculation of Loss Development Factors

Fiscal Accident Year Ending 3/31	Bodily Injury Incurred Losses †									
	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months	99 Months	111 Months	123 Months ‡
1995								8,483,630	8,845,960	8,860,538
1996								7,506,606	8,463,291	8,458,849
1997								7,752,072	7,507,976	7,496,526
1998						7,752,673	7,500,370	7,752,072	7,793,818	7,794,450
1999						9,406,113	9,360,254	9,445,240	9,445,240	9,445,240
2000						8,776,903	8,833,062	8,830,749		
2001				8,698,199	9,344,439	9,465,821	9,748,172	9,747,708	8,814,333	
2002		8,971,192	9,062,265	9,357,042	9,571,805	10,344,998	10,355,072			
2003	7,274,800	9,328,761	9,899,814	10,252,248	10,316,594					
2004	6,592,733	8,530,476	10,360,811	10,744,483	10,885,907	10,913,843				
2005	6,915,751	8,494,325	9,459,892	9,946,247	10,015,268					
2006	7,316,075	9,082,802	9,080,675	9,245,955						
2007	7,260,015	9,869,186	10,379,529							
2008	7,338,798									

Link Ratios

Development	Link Ratios									
	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87	87 to 99	99 to 111	111 to 123	
4th Prior	1.282	1.104	1.033	1.015	1.007	1.000	1.001	0.998	1.002	
3rd Prior	1.294	1.111	1.036	1.023	1.004	0.995	1.000	1.000	0.999	
2nd Prior	1.228	1.109	1.037	1.006	1.010	1.006	1.009	1.005	0.998	
1st Prior	1.241	1.065	1.051	1.013	1.003	1.009	1.000	1.006	1.000	
Latest	1.359	1.143	1.022	1.007	1.003	1.001	1.000	0.998	1.000	
5 Year Excluding High/Low Outliers:	1.272	1.108	1.035	1.012	1.005	1.002	1.000	0.999	1.000	
Selected:	1.272	1.108	1.035	1.012	1.005	1.002	1.000	0.999	1.000	

Selected Methodology

Link Ratio Method

Loss Development Period (months):	15 - 123	27 - 123
Loss Development Factor:	1.485	1.168

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property & Casualty Insurance Company

Year	Inc. Loss	Factor to Ultimate	Ultimate Loss & ALAE
2007	\$1,356,282	1.168	1,584,137
2008	\$2,161,733	1.485	3,210,174

Allstate Insurance Group
Private Passenger Auto
Arkansas

Calculation of Loss Development Factors

Property Damage
Incurred Losses †

Fiscal Accident Year Ending 3/31	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
1997							6,864,941
1998						7,181,176	7,167,671
1999						7,650,355	7,650,355
2000						8,323,749	8,326,094
2001						8,333,166	8,305,435
2002		8,903,382	8,308,868	8,331,655		8,818,047	8,818,884
2003	9,012,573	8,982,923	8,833,166	8,358,166	7,683,178		
2004	9,416,956	9,186,516	9,098,153	8,942,147	8,338,667		
2005	8,760,426	8,922,477	9,239,074	9,040,998	8,341,385		
2006	8,802,475	9,177,344	8,922,835	9,213,137	8,829,436		
2007	9,545,835	9,848,337	9,168,506	8,936,833	8,962,084		
2008	10,386,396				9,195,027		

Link Ratios

Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
4th Prior	0.997	0.992	1.006	1.001	0.996	0.998
3rd Prior	0.976	1.013	1.012	0.998	0.998	1.000
2nd Prior	1.018	1.006	0.994	0.987	0.999	1.000
1st Prior	1.043	1.000	0.997	0.991	0.999	0.997
Latest	1.032	0.999	1.002	0.998	1.000	1.000
5 Year Excluding High/Low Outliers:	1.016	1.002	1.002	0.996	0.999	0.999
Selected:	1.016	1.002	1.002	0.996	0.999	0.999

Selected Methodology

Link Ratio Method

Loss Development Period (months):	15 - 87
Loss Development Factor:	1.014
	0.998

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property & Casualty Insurance Company

Ultimate Loss & ALAE		
Year	Inc. Loss	Factor to Ultimate
2007	\$1,481,428	0.998
2008	\$2,742,146	1.014
		2,780,536

Allstate Insurance Group
Private Passenger Auto
Arkansas

Calculation of Loss Development Factors

Fiscal Accident Year Ending 3/31	Medical Incurred Losses †					
	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months
1997						87 Months 1,370,434
1998						1,486,410
1999						1,478,393
2000						1,483,393
2001						1,592,534
2002			1,691,288	1,621,985	1,484,262	1,825,748
2003	2,354,923	1,848,608	1,784,445	1,681,857	1,617,469	1,825,781
2004	2,385,953	2,229,347	2,144,087	1,771,762	1,776,031	1,769,787
2005	2,731,890	2,119,173	2,058,696	2,113,691	2,105,608	2,107,133
2006	2,552,373	2,333,806	2,229,566	2,036,275	2,021,242	
2007	2,500,812	2,500,812	2,329,939	2,175,830		
2008	2,395,530	2,429,973				
	2,598,230					

Link Ratios

Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
4th Prior	0.947	0.965	0.994	0.997	0.996	1.000
3rd Prior	0.888	0.962	0.993	1.086	0.985	1.003
2nd Prior	0.854	0.971	0.986	1.002	1.000	1.000
1st Prior	0.980	0.955	0.989	0.996	0.996	0.996
Latest	1.014	0.932	0.976	0.993	1.001	0.998
5 Year Excluding High/Low Outliers:	0.938	0.961	0.989	0.998	0.997	0.999
Selected:	0.938	0.961	0.989	0.998	0.997	0.999

Selected Methodology

Link Ratio Method

Loss Development Period (months): 15 - 87
Loss Development Factor: 0.886
0.945

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property & Casualty Insurance Company

Ultimate Loss & ALAE		
Year	Inc. Loss	Factor to Ultimate
2007	\$430,927	0.945
2008	\$861,413	0.886
		407,226
		763,212

Allstate Insurance Group
Private Passenger Auto
Arkansas

Calculation of Loss Development Factors
Uninsured / Underinsured Motorist
Incurred Losses †

Fiscal Accident Year Ending 3/31	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months	99 Months	111 Months	123 Months‡
1995								1,396,132	1,565,702	1,565,702
1996							1,884,893	1,884,893	1,396,132	1,401,588
1997							2,377,538	2,381,095	1,885,118	1,883,316
1998							2,464,442	2,463,068	2,400,199	2,428,992
1999							2,473,561	2,442,815	2,443,068	2,451,273
2000							2,568,795	2,568,795	2,444,466	
2001				2,418,959	2,477,301	2,349,194				
2002		1,597,872	2,554,378	2,551,341	2,446,026	2,459,083				
2003	1,385,355	1,709,654	2,013,297	2,105,640	2,560,826	2,463,822				
2004	1,732,609	2,001,768	1,954,196	2,008,834	2,261,994	2,545,209				
2005	1,766,254	2,059,365	2,173,710	2,562,314	2,003,867	2,294,414				
2006	2,110,181	2,593,050	2,133,600	2,217,438	2,570,781	2,037,043				
2007	2,458,850	2,952,925	2,677,348							
2008	2,008,134									

Link Ratios

	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87	87 to 99	99 to 111	111 to 123
Development	1.234	1.260	0.999	1.011	0.993	1.012	1.000	1.000	1.000
4th Prior	1.155	1.143	1.046	1.004	1.007	1.002	1.001	1.000	1.004
3rd Prior	1.166	1.086	1.028	1.074	0.994	1.004	0.999	1.008	0.999
2nd Prior	1.229	1.036	1.179	0.998	1.014	1.009	0.988	0.992	1.012
1st Prior	1.201	1.033	1.039	1.003	1.017	1.002	1.000	1.001	1.003
Latest	1.199	1.088	1.038	1.006	1.005	1.005	1.000	1.000	1.002
5 Year Excluding High/Low Outliers:	1.199	1.088	1.038	1.006	1.005	1.005	1.000	1.000	1.002
Selected:									

Selected Methodology

Link Ratio Method

Loss Development Period (months): 15 - 123
Loss Development Factor: 1.379

†Includes ALAE
‡Includes supplemental reserves in addition to case reserves

Allstate Property & Casualty Insurance Company

Year	Inc. Loss	Factor to Ultimate	Ultimate Loss & ALAE
2007	\$564,883	1.150	649,615
2008	\$579,925	1.379	799,717

Allstate Insurance Group
Private Passenger Auto
Arkansas

Calculation of Loss Development Factors

Fiscal Accident Year Ending 3/31	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
1995							
1996							
1997							
1998							
1999							
2000					9,576,279	9,144,021	8,778,768
2001				10,605,180	10,608,077	9,576,020	9,144,021
2002			11,408,606	11,434,164	11,424,119	10,608,077	9,576,020
2003		11,786,190	11,787,399	11,808,589	11,805,441	11,420,318	10,608,083
2004	11,505,620	11,344,023	11,342,775	11,343,898	11,345,268	11,804,544	11,418,607
2005	11,862,325	11,792,833	11,789,977	11,793,402			
2006	11,777,830	11,636,729	11,641,004	11,647,282			
2007	11,718,592	11,481,845	11,470,365				
2008	13,172,979	12,991,064					
	13,901,492						

Link Ratios

Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
4th Prior	0.986	1.000	1.002	1.000	1.000	1.000
3rd Prior	0.994	1.000	1.002	0.999	1.000	1.000
2nd Prior	0.988	1.000	1.000	1.000	1.000	1.000
1st Prior	0.980	1.000	1.000	1.000	1.000	1.000
Latest	0.986	0.999	1.001	1.000	1.000	1.000
3 Year Average:	0.985	1.000	1.000	1.000	1.000	1.000
Selected:	0.985	1.000	1.000	1.000	1.000	1.000

Selected Methodology

Link Ratio Method

Loss Development Period (months):	15 - 87	27 - 87
Loss Development Factor:	0.985	1.000

Allstate Property & Casualty Insurance Company

Year	Inc. Loss	Factor to Ultimate	Ultimate Loss & ALAE
2007	\$2,023,293	1.000	2,023,293
2008	\$3,938,817	0.985	3,879,735

Allstate Insurance Group
Private Passenger Auto
Arkansas

Calculation of Loss Development Factors

Fiscal Accident Year Ending 3/31	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months
1995							
1996							
1997							
1998							
1999							
2000							
2001			5,630,724	5,268,679	4,722,398	4,124,258	4,039,858
2002		6,043,413	6,058,134	5,636,671	5,268,326	4,722,398	4,124,258
2003	4,651,477	4,712,614	4,711,264	6,061,781	5,639,130	5,268,317	4,722,398
2004	5,109,289	5,109,431	5,107,862	4,712,143	6,065,742	5,639,130	5,268,332
2005	4,925,641	4,972,229	4,978,097	5,110,257	4,715,410	6,066,119	5,640,307
2006	4,507,517	4,566,236	4,572,271	4,968,874	5,110,257	4,716,262	6,066,119
2007	4,483,742	4,529,602					
2008	4,772,265						

Comprehensive
Paid Losses

Link Ratios

Development	15 to 27	27 to 39	39 to 51	51 to 63	63 to 75	75 to 87
4th Prior	1.013	1.002	1.001	1.000	1.000	1.000
3rd Prior	1.000	1.000	1.001	1.000	1.000	1.000
2nd Prior	1.009	1.000	1.001	1.001	1.000	1.000
1st Prior	1.013	1.001	1.000	1.001	1.000	1.000
Latest	1.010	1.001	0.998	1.000	1.000	1.000
3 Year Average:	1.011	1.001	0.999	1.001	1.000	1.000
Selected:	1.011	1.001	0.999	1.001	1.000	1.000

Selected Methodology

Link Ratio Method

Loss Development Period (months): 15 - 87
Loss Development Factor: 1.012

Allstate Property & Casualty Insurance Company

Year	Inc. Loss	Factor to Ultimate	Ultimate Loss & ALAE
2007	\$736,823	1.001	737,560
2008	\$1,200,182	1.012	1,214,584

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Development Method - Additive Method
Summary of Trend Selections

Coverage	Trend
Bodily Injury	2.0%
Property Damage	0.0%
Medical Payments	4.0%
Uninsured Motorists	1.0%
Collision	1.0%
Comprehensive	-4.0%

Allstate Insurance Group
Private Passenger Auto
ArkansasCalculation of Loss Development Factors
Bodily Injury

Incurred Losses †

Fiscal Accident											Earned
Year Ending 3/31	15 Months	27 Months	39 Months	51 Months	63 Months	75 Months	87 Months	99 Months	111 Months	123 Months†	Exposures
1995	7,128,630	7,925,958	8,193,524	8,663,637	8,740,537	8,813,537	8,831,847	8,844,612	8,845,960	8,860,538	95,409
1996	5,792,556	7,089,567	7,683,492	8,510,775	8,346,276	8,410,826	8,450,190	8,483,650	8,463,291	8,458,849	93,856
1997	4,434,947	6,114,973	6,708,821	7,228,455	7,330,575	7,400,323	7,500,370	7,506,606	7,507,976	7,496,526	94,549
1998	5,472,148	6,761,069	7,128,561	7,573,214	7,665,412	7,752,673	7,750,254	7,752,072	7,793,818	7,794,450	97,273
1999	6,297,456	8,013,563	8,809,932	9,230,615	9,344,439	9,406,113	9,360,842	9,445,240	9,445,240	9,445,240	100,954
2000	5,891,828	7,308,657	8,065,318	8,608,199	8,738,178	8,776,903	8,833,062	8,830,749	8,814,333		104,403
2001	6,493,022	8,087,458	9,062,265	9,357,042	9,571,805	9,665,821	9,748,172	9,747,708			104,559
2002	7,162,277	8,971,192	9,899,814	10,252,248	10,316,594	10,344,998	10,355,072				106,128
2003	7,274,800	9,328,761	10,360,811	10,744,483	10,744,483	10,885,907	10,913,843				105,966
2004	6,592,733	8,530,476	9,459,892	9,946,247	10,015,268						109,773
2005	6,915,751	8,494,325	9,050,675	9,245,955							113,210
2006	7,316,075	9,082,802	10,379,529								114,168
2007	7,260,015	9,869,186									104,616
2008	7,338,798										94,120

Selected Trend: 2.0%

Trended Incurred Losses

<u>Fiscal Accident</u>										
<u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months†</u>
1995									11,443,193	11,462,051
1996								10,759,320	10,733,499	10,727,866
1997							9,325,767	9,333,521	9,335,224	9,320,988
1998						9,450,465	9,447,516	9,449,733	9,500,621	9,501,391
1999				11,167,470	11,241,176	11,187,073	11,287,936	11,287,936	11,287,936	11,287,936
2000			10,085,877	10,238,168	10,283,541	10,349,340	10,346,630	10,327,396		
2001			10,409,694	10,748,300	10,994,995	11,102,990	11,197,585	11,197,052		
2002		10,103,019	11,148,798	11,545,696	11,618,160	11,650,148	11,661,493			
2003	8,031,967	10,299,706	11,439,173	11,862,777	12,018,921	12,049,765				
2004	7,136,186	9,233,662	10,239,691	10,766,138	10,840,848					
2005	7,339,050	9,014,246	9,604,649	9,811,881						
2006	7,611,644	9,449,747	10,798,862							
2007	7,405,215	10,066,570								
2008	7,338,798									

Trended Additive Amounts per Exposure

<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>
4th Prior	21.401	9.854	3.238	1.459	0.730	-0.030	0.082	-0.275	0.198
3rd Prior	19.107	10.753	3.740	2.359	0.435	-0.536	0.023	0.018	-0.060
2nd Prior	14.797	9.165	3.998	0.683	1.033	0.630	0.999	0.523	-0.151
1st Prior	16.100	5.215	4.796	1.474	0.301	0.905	-0.026	0.000	0.008
Latest	25.439	11.817	1.831	0.681	0.291	0.107	-0.005	-0.184	0.060

5 Year Excluding High/Low

Outliers:	18.80	9.91	3.66	1.20	0.48	0.24	0.03	-0.06	-0.02
Selected:	18.80	9.91	3.66	1.20	0.48	0.24	0.03	-0.06	-0.02

Selected Methodology Additive Method

Loss Development Period (months):

<u>15 - 123</u>	<u>27 - 123</u>
34.24	15.44

Additive Amt per Exp:

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property & Casualty Insurance Company

<u>Year</u>	<u>Trended Age-to-Ult Additive Amt Per Exposure</u>	<u>Earned Exposures</u>	<u>Trended Losses Yet To Emerge</u>	<u>De-Trended Losses Yet To Emerge</u>	<u>Incurred Loss & ALAE</u>	<u>Ultimate Loss & ALAE</u>
2007	15.44	15,383	237,514	232,857	1,356,282	1,589,139
2008	34.24	28,088	961,733	961,733	2,161,733	3,123,466

Allstate Insurance Group
Private Passenger Auto
Arkansas

Calculation of Loss Development Factors
Property Damage

Incurred Losses †

<u>Fiscal Accident</u> <u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>Earned</u> <u>Exposures</u>
1997	6,901,089	6,806,154	6,820,338	6,873,286	6,856,447	6,862,541	6,864,941	94,549
1998	7,079,724	7,164,741	7,205,247	7,192,375	7,172,884	7,181,176	7,167,671	97,273
1999	7,409,647	7,697,600	7,716,525	7,758,079	7,683,178	7,650,355	7,650,355	100,954
2000	7,999,306	8,371,849	8,441,803	8,331,655	8,338,667	8,323,749	8,326,094	104,403
2001	8,294,803	8,678,130	8,308,868	8,358,166	8,341,385	8,333,166	8,305,435	104,559
2002	8,793,811	8,903,382	8,833,166	8,942,147	8,829,436	8,818,047	8,818,884	106,128
2003	9,012,573	8,982,923	9,098,153	9,040,998	8,962,084	8,963,664		105,966
2004	9,416,956	9,186,516	9,239,074	9,213,137	9,195,027			109,773
2005	8,760,426	8,922,477	8,922,835	8,936,833				113,210
2006	8,802,475	9,177,344	9,168,506					114,168
2007	9,545,835	9,848,337						104,616
2008	10,386,396							94,120

Selected Trend: 0.0%

Trended Incurred Losses

<u>Fiscal Accident</u> <u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>
1997							6,864,941
1998						7,181,176	7,167,671
1999					7,683,178	7,650,355	7,650,355
2000				8,331,655	8,338,667	8,323,749	8,326,094
2001			8,308,868	8,358,166	8,341,385	8,333,166	8,305,435
2002		8,903,382	8,833,166	8,942,147	8,829,436	8,818,047	8,818,884
2003	9,012,573	8,982,923	9,098,153	9,040,998	8,962,084	8,963,664	
2004	9,416,956	9,186,516	9,239,074	9,213,137	9,195,027		
2005	8,760,426	8,922,477	8,922,835	8,936,833			
2006	8,802,475	9,177,344	9,168,506				
2007	9,545,835	9,848,337					
2008	10,386,396						

Trended Additive Amounts per Exposure

<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>
4th Prior	-0.280	-0.662	0.471	0.067	-0.325	-0.139
3rd Prior	-2.099	1.087	1.027	-0.160	-0.143	0.000
2nd Prior	1.431	0.479	-0.539	-1.062	-0.079	0.022
1st Prior	3.283	0.003	-0.236	-0.745	-0.107	-0.265
Latest	2.892	-0.077	0.124	-0.165	0.015	0.008
5 Year Excluding High/Low						
Outliers:	1.34	0.13	0.11	-0.36	-0.11	-0.04
Selected:	1.34	0.13	0.11	-0.36	-0.11	-0.04

Selected Methodology Additive Method

Loss Development Period (months): 15 - 87 27 - 87
Additive Amt per Exp: 1.07 -0.27

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property & Casualty Insurance Company

<u>Year</u>	<u>Trended</u> <u>Age-to-Ult</u> <u>Additive Amt</u> <u>Per Exposure</u>	<u>Earned</u> <u>Exposures</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss & ALAE</u>	<u>Ultimate</u> <u>Loss & ALAE</u>
2007	-0.27	15,383	-4,153	-4,153	1,481,428	1,477,275
2008	1.07	28,088	30,054	30,054	2,742,146	2,772,200

Allstate Insurance Group
Private Passenger Auto
ArkansasCalculation of Loss Development Factors
Medical

Incurred Losses †

<u>Fiscal Accident</u> <u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>Earned</u> <u>Exposures</u>
1997	1,945,889	1,432,723	1,415,782	1,377,714	1,373,353	1,370,684	1,370,434	75,770
1998	1,813,522	1,573,139	1,490,116	1,489,715	1,492,663	1,486,410	1,486,410	76,893
1999	1,748,850	1,578,995	1,533,287	1,481,099	1,484,262	1,478,393	1,483,393	79,496
2000	1,833,407	1,711,219	1,609,488	1,621,985	1,617,469	1,592,534	1,592,534	81,315
2001	1,921,927	1,725,263	1,691,288	1,681,857	1,825,748	1,825,781	1,819,380	80,697
2002	1,993,175	1,848,608	1,784,445	1,771,762	1,776,031	1,769,787	1,766,412	81,962
2003	2,354,923	2,229,347	2,144,087	2,113,691	2,105,608	2,107,133		81,250
2004	2,385,953	2,119,173	2,058,696	2,036,275	2,021,242			84,008
2005	2,731,890	2,333,806	2,229,566	2,175,830				86,419
2006	2,552,373	2,500,812	2,329,939					87,097
2007	2,395,530	2,429,973						80,385
2008	2,598,230							72,468

Selected Trend: 4.0%

Trended Incurred Losses

<u>Fiscal Accident</u> <u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>
1997							2,109,720
1998						2,200,250	2,200,250
1999					2,112,568	2,104,214	2,111,331
2000				2,219,798	2,213,618	2,179,493	2,179,493
2001			2,225,620	2,213,209	2,402,560	2,402,603	2,394,180
2002		2,339,079	2,257,892	2,241,844	2,247,246	2,239,345	2,235,075
2003	2,865,124	2,712,341	2,608,610	2,571,628	2,561,794	2,563,649	
2004	2,791,228	2,479,133	2,408,383	2,382,154	2,364,567		
2005	3,073,005	2,625,214	2,507,959	2,447,513			
2006	2,760,647	2,704,878	2,520,062				
2007	2,491,351	2,527,172					
2008	2,598,230						

Trended Additive Amounts per Exposure

<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>
4th Prior	-1.880	-0.991	-0.154	-0.076	-0.105	0.000
3rd Prior	-3.715	-1.277	-0.196	2.346	-0.420	0.090
2nd Prior	-5.182	-0.842	-0.455	0.066	0.001	0.000
1st Prior	-0.640	-1.357	-0.312	-0.121	-0.096	-0.104
Latest	0.446	-2.122	-0.699	-0.209	0.023	-0.052

5 Year Excluding High/Low

Outliers:	-2.06	-1.21	-0.32	-0.04	-0.07	-0.02
Selected:	-2.06	-1.21	-0.32	-0.04	-0.07	-0.02

Selected Methodology Additive Method

Loss Development Period (months):

Additive Amt per Exp: -3.72 -1.66

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property & Casualty Insurance Company

<u>Year</u>	<u>Trended</u> <u>Age-to-Ult</u> <u>Additive Amt</u> <u>Per Exposure</u>	<u>Earned</u> <u>Exposures</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss & ALAE</u>	<u>Ultimate</u> <u>Loss & ALAE</u>
2007	-1.66	11,780	-19,555	-18,803	430,927	412,124
2008	-3.72	21,314	-79,288	-79,288	861,413	782,125

Allstate Insurance Group
Private Passenger Auto
ArkansasCalculation of Loss Development Factors
Uninsured / Underinsured Motorist

Incurred Losses †

<u>Fiscal Accident</u> <u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months†</u>	<u>Earned</u> <u>Exposures</u>
1995	992,847	1,232,649	1,298,217	1,468,712	1,556,340	1,560,007	1,563,688	1,563,688	1,565,702	1,565,702	90,821
1996	918,667	1,125,930	1,128,564	1,212,633	1,274,595	1,396,737	1,393,118	1,396,132	1,396,132	1,401,588	88,801
1997	1,011,881	1,317,476	1,472,927	1,708,839	1,792,441	1,881,857	1,884,893	1,884,893	1,885,118	1,883,316	88,883
1998	1,734,286	2,134,342	2,255,556	2,362,742	2,367,873	2,349,194	2,377,538	2,381,095	2,400,199	2,428,992	90,708
1999	1,195,517	2,159,954	2,413,788	2,463,552	2,477,301	2,459,083	2,464,442	2,463,068	2,443,068	2,451,273	94,140
2000	1,689,831	2,138,670	2,250,777	2,418,959	2,446,026	2,463,822	2,473,561	2,442,815	2,444,466		96,642
2001	1,964,566	2,246,221	2,554,378	2,551,341	2,560,826	2,545,209	2,568,795	2,568,795			96,361
2002	1,214,583	1,597,872	2,013,297	2,105,640	2,261,994	2,294,414	2,299,768				98,125
2003	1,385,355	1,709,654	1,954,196	2,008,834	2,002,867	2,037,043					98,107
2004	1,732,609	2,001,768	2,173,710	2,562,314	2,570,781						102,054
2005	1,766,254	2,059,365	2,133,600	2,217,438							105,696
2006	2,110,181	2,593,050	2,677,348								106,947
2007	2,458,850	2,952,925									98,641
2008	2,008,134										88,793

Selected Trend: 1.0%

Trended Incurred Losses

<u>Fiscal Accident</u> <u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months†</u>
1995									1,781,915	1,781,915
1996								1,573,196	1,573,196	1,579,344
1997							2,102,915	2,102,915	2,103,166	2,101,156
1998						2,594,972	2,626,281	2,630,210	2,651,313	2,683,118
1999					2,709,388	2,689,463	2,695,324	2,693,821	2,671,947	2,680,921
2000				2,619,386	2,648,696	2,667,966	2,678,312	2,645,219	2,647,006	
2001			2,738,639	2,735,383	2,745,552	2,728,809	2,754,096	2,754,096		
2002		1,696,173	2,137,155	2,235,179	2,401,152	2,435,567	2,441,250			
2003	1,456,022	1,796,864	2,053,880	2,111,305	2,106,084	2,140,953				
2004	1,802,960	2,083,048	2,261,971	2,666,354	2,675,165					
2005	1,819,773	2,121,766	2,198,250	2,284,629						
2006	2,152,596	2,645,170	2,731,163							
2007	2,483,439	2,982,454								
2008	2,008,134									

Trended Additive Amounts per Exposure

<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>
4th Prior	3.474	4.494	-0.034	0.303	-0.212	0.345	0.000	0.000	0.000
3rd Prior	2.745	2.620	0.999	0.106	0.199	0.062	0.043	0.003	0.069
2nd Prior	2.860	1.753	0.585	1.691	-0.174	0.109	-0.016	0.233	-0.023
1st Prior	4.606	0.724	3.962	-0.053	0.351	0.262	-0.344	-0.232	0.351
Latest	5.059	0.804	0.818	0.086	0.355	0.058	0.000	0.018	0.095
3 Year Excluding									
High/Low Outliers:	3.65	1.70	0.80	0.16	0.13	0.14	-0.01	0.01	0.06
Selected:	3.65	1.70	0.80	0.16	0.13	0.14	-0.01	0.01	0.06

Selected Methodology Additive Method

Loss Development
 Period (months): 15 - 123 27 - 123
 Additive Amt per Exp: 6.64 2.99

†Includes ALAE

‡Includes supplemental reserves in addition to case reserves

Allstate Property & Casualty Insurance Company

<u>Year</u>	<u>Trended</u> <u>Age-to-Ult</u> <u>Additive Amt</u> <u>Per Exposure</u>	<u>Earned</u> <u>Exposures</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss & ALAE</u>	<u>Ultimate</u> <u>Loss & ALAE</u>
2007	2.99	14,687	43,914	43,479	564,883	608,362
2008	6.64	26,910	178,682	178,682	579,925	758,607

Allstate Insurance Group
Private Passenger Auto
ArkansasCalculation of Loss Development Factors
Collision

Paid Losses

<u>Fiscal Accident</u>								<u>Earned</u>
<u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>Exposures</u>
1997	9,080,932	8,816,957	8,792,838	8,781,108	8,781,188	8,781,066	8,778,768	65,734
1998	9,343,584	9,182,793	9,156,138	9,150,685	9,149,992	9,144,021	9,144,021	67,660
1999	9,737,804	9,572,891	9,572,808	9,574,127	9,576,279	9,576,020	9,576,020	70,666
2000	10,739,621	10,611,860	10,609,248	10,605,180	10,608,077	10,608,077	10,608,083	73,171
2001	11,560,182	11,453,427	11,408,606	11,434,164	11,424,119	11,420,318	11,418,607	73,153
2002	11,931,119	11,786,190	11,787,399	11,808,589	11,805,441	11,804,544	11,804,076	74,162
2003	11,505,620	11,344,023	11,342,775	11,343,898	11,345,268	11,345,268		73,112
2004	11,862,325	11,792,833	11,789,977	11,793,402	11,793,681			75,342
2005	11,777,830	11,636,729	11,641,004	11,647,282				77,227
2006	11,718,592	11,481,845	11,470,365					77,371
2007	13,172,979	12,991,064						70,881
2008	13,901,492							63,744

Selected Trend: 1.0%

Trended Incurred Losses

<u>Fiscal Accident</u>							
<u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>
1997							9,794,194
1998						10,100,688	10,100,688
1999					10,473,435	10,473,152	10,473,152
2000				11,483,890	11,487,027	11,487,027	11,487,034
2001			12,231,570	12,258,971	12,248,202	12,244,127	12,242,292
2002		12,511,278	12,512,562	12,535,055	12,531,714	12,530,761	12,530,265
2003	12,092,522	11,922,682	11,921,371	11,922,551	11,923,991	11,923,991	
2004	12,343,983	12,271,669	12,268,697	12,272,261	12,272,552		
2005	12,134,710	11,989,334	11,993,738	12,000,206			
2006	11,954,136	11,712,630	11,700,919				
2007	13,304,709	13,120,975					
2008	13,901,492						

Trended Additive Amounts per Exposure

<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>
4th Prior	-2.323	0.017	0.375	0.043	-0.004	0.000
3rd Prior	-0.960	-0.018	0.303	-0.147	0.000	0.000
2nd Prior	-1.882	-0.039	0.016	-0.045	-0.056	0.000
1st Prior	-3.121	0.057	0.047	0.020	-0.013	-0.025
Latest	-2.592	-0.151	0.084	0.004	0.000	-0.007
3 Year Weighted Average:	-2.53	-0.04	0.05	-0.01	-0.02	-0.01
Selected:	-2.53	-0.04	0.05	-0.01	-0.02	-0.01

Selected Methodology

Additive Method

Loss Development Period (months): 15 - 87 27 - 87
 Additive Amt per Exp: -2.56 -0.03

Allstate Property & Casualty Insurance Company

<u>Year</u>	<u>Trended</u> <u>Age-to-Ult</u> <u>Additive Amt</u> <u>Per Exposure</u>	<u>Earned</u> <u>Exposures</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss & ALAE</u>	<u>Ultimate</u> <u>Loss & ALAE</u>
2007	-0.03	10,393	-312	-309	2,023,293	2,022,984
2008	-2.56	19,094	-48,881	-48,881	3,938,817	3,889,936

Allstate Insurance Group
Private Passenger Auto
ArkansasCalculation of Loss Development Factors
Comprehensive

Paid Losses

<u>Fiscal Accident</u>								<u>Earned</u>
<u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>Exposures</u>
1997	4,032,943	4,035,795	4,037,519	4,038,700	4,039,213	4,039,108	4,039,858	68,299
1998	4,087,853	4,119,936	4,122,667	4,123,687	4,123,687	4,124,258	4,124,258	70,251
1999	4,632,185	4,720,837	4,721,872	4,722,092	4,722,398	4,722,398	4,722,398	73,295
2000	5,159,307	5,271,902	5,266,042	5,268,679	5,268,326	5,268,317	5,268,332	75,764
2001	5,565,444	5,613,806	5,630,724	5,636,671	5,639,130	5,639,130	5,640,307	75,783
2002	5,968,653	6,043,413	6,058,134	6,061,781	6,065,742	6,066,119	6,066,119	76,756
2003	4,651,477	4,712,614	4,711,264	4,712,143	4,715,410	4,716,262		75,609
2004	5,109,289	5,109,431	5,107,862	5,110,257	5,110,257			77,894
2005	4,925,641	4,972,229	4,978,097	4,968,874				79,828
2006	4,507,517	4,566,236	4,572,271					80,036
2007	4,483,742	4,529,602						73,423
2008	4,772,265							66,116

Selected Trend: -4.0%

Trended Incurred Losses

<u>Fiscal Accident</u>							
<u>Year Ending 3/31</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>
1997							2,578,396
1998						2,741,941	2,741,941
1999					3,270,421	3,270,421	3,270,421
2000				3,800,770	3,800,515	3,800,509	3,800,520
2001			4,231,193	4,235,662	4,237,510	4,237,510	4,238,394
2002		4,730,529	4,742,052	4,744,906	4,748,007	4,748,302	4,748,302
2003	3,792,687	3,842,537	3,841,436	3,842,153	3,844,817	3,845,511	
2004	4,339,557	4,339,678	4,338,345	4,340,379	4,340,379		
2005	4,357,892	4,399,110	4,404,302	4,396,142			
2006	4,154,128	4,208,243	4,213,805				
2007	4,304,392	4,348,418					
2008	4,772,265						

Trended Additive Amounts per Exposure

<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>
4th Prior	0.659	0.150	0.059	-0.003	0.000	0.000
3rd Prior	0.002	-0.015	0.037	0.024	0.000	0.000
2nd Prior	0.516	-0.017	0.009	0.040	0.000	0.000
1st Prior	0.676	0.065	0.026	0.035	0.004	0.012
Latest	0.600	0.069	-0.102	0.000	0.009	0.000
3 Year Weighted Average:	0.60	0.04	-0.02	0.02	0.00	0.00
Selected:	0.60	0.04	-0.02	0.02	0.00	0.00

Selected Methodology

Additive Method

Loss Development Period (months): 15 - 87 27 - 87
 Additive Amt per Exp: 0.64 0.04

Allstate Property & Casualty Insurance Company

<u>Year</u>	<u>Trended</u> <u>Age-to-Ult</u> <u>Additive Amt</u> <u>Per Exposure</u>	<u>Earned</u> <u>Exposures</u>	<u>Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>De-Trended</u> <u>Losses Yet</u> <u>To Emerge</u>	<u>Incurred</u> <u>Loss & ALAE</u>	<u>Ultimate</u> <u>Loss & ALAE</u>
2007	0.04	10,609	424	442	736,823	737,265
2008	0.64	19,463	12,456	12,456	1,200,182	1,212,638

ALLSTATE INSURANCE GROUP*

Private Passenger Automobile Liability Insurance
Countrywide Expense Experience - Unallocated Loss Adjustment Factors

LIABILITY

	<u>2005 - 2007</u>
1. Direct Losses and Allocated Loss Adjustment Expense Incurred	\$16,339,885
2. Direct Unallocated Loss Adjustment Expense Incurred	\$2,975,851
3. Ratio (2)/(1)	0.1821
4. Proposed Provision	0.182

* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company
Allstate Fire and Casualty Insurance Company and Allstate County Mutual Insurance Company.

SOURCE: FDW
(000 Omitted)

ALLSTATE INSURANCE GROUP*

Private Passenger Automobile Physical Damage Insurance Countrywide Expense Experience - Unallocated Loss Adjustment Factors

PHYSICAL DAMAGE

	<u>2005 - 2007</u>
1. Direct Losses and Allocated Loss Adjustment Expense Incurred	\$10,133,172
2. Direct Unallocated Loss Adjustment Expense Incurred	\$1,516,113
3. Ratio (2)/(1)	0.1496
4. Proposed Provision	0.150

* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company,
Allstate Fire and Casualty Insurance Company and Allstate County Mutual Insurance Company.

SOURCE: FDW
(000 Omitted)

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Calculation of Pure Premium Trend Factor

<u>Coverage</u>	<u>Selected Annual Pure Premium Impacts</u>	
	<u>Historical</u>	<u>Projected</u>
Bodily Injury	1.00 %	1.00 %
Property Damage	1.00	1.00
Medical	0.00	0.00
Uninsured / Underinsured Motorist	4.00	4.00
Collision	2.00	2.00
Comprehensive	-3.00	-3.00

	<u>1st Prior Year</u>	<u>Current Year</u>
1) Loss Trend Projection Date	12/30/2009	12/30/2009
2) Mid-Point of Current Year's Experience Period	9/30/2007	9/30/2007
3) Experience Period Ended	3/31/2007	3/31/2008
4) Midpoint of Experience Period	9/30/2006	9/30/2007
5) Historical: Number of Years from (4) to (2)	1.000	0.000
6) Projected: Number of Years from (2) to (1)	2.249	2.249

Calculation of Trend Factors

- (a) Historical Pure Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)
- (b) Projected Pure Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)
- (c) Factor to Adjust Losses for Pure Premium Trend = (a) x (b)

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Catastrophe Insurance Losses
Comprehensive

Calendar Year	Allstate Insurance Group		Incurred Losses Excluding Catastrophes	Percentage Catastrophe Losses
	Total Incurred Losses	Catastrophe Losses		
1983	\$1,837,348	\$49,198	\$1,788,150	
1984	2,580,647	410,700	2,169,947	
1985	2,131,560	108,640	2,022,920	
1986	3,004,305	421,939	2,582,366	
1987	3,348,493	140,750	3,207,743	
1988	3,980,110	513,015	3,467,095	
1989	7,682,087	3,042,588	4,639,499	
1990	5,333,548	443,624	4,889,924	
1991	5,731,040	573,373	5,157,667	
1992	4,286,585	146,986	4,139,599	
1993	3,911,931	71,850	3,840,081	
1994	4,822,147	888,763	3,933,384	
1995	4,524,336	481,500	4,042,836	
1996	8,589,528	3,623,724	4,965,804	
1997	5,433,562	789,786	4,643,776	
1998	4,860,342	-231,240	5,091,582	
1999	8,718,195	3,267,286	5,450,909	
2000	6,821,788	902,509	5,919,279	
2001	5,899,608	-103,542	6,003,150	
2002	6,344,009	982,997	5,361,012	
2003	5,511,410	143,336	5,368,074	
2004	5,466,229	34,423	5,431,806	
2005	4,918,264	95,357	4,822,907	
2006	6,563,043	2,069,984	4,493,059	
2007	4,759,658	72,841	4,686,817	
		<u>\$18,940,387</u>	<u>\$108,119,386</u>	

25 Year Aggregate Average	17.5 %
Selected Catastrophe Provision	17.5 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Summary of Expense Provisions

	Liability Expense Provision				Uninsured / Underinsured Motorist
	Percent Fixed	Bodily Injury	Property Damage	Medical	
Commissions	0 %	12.2 %	12.2 %	12.2 %	12.2 %
Taxes †	0	3.0	3.0	3.0	3.0
Licenses and Fees	100	0.0	0.0	0.0	0.0
Other Acquisition	100	4.6	4.6	4.6	4.6
General Expense	100	4.9	4.9	4.9	4.9
Debt Provision	0	1.24	1.24	1.24	1.24
Profit Provision	0	9.90	9.90	9.90	9.90

	Physical Damage Expense Provision		
	Percent Fixed	Collision	Comprehensive
Commissions	0 %	12.2 %	12.2 %
Taxes †	0	3.0	3.0
Licenses and Fees	100	0.1	0.1
Other Acquisition	100	4.6	4.6
General Expense	100	5.1	5.1
Debt Provision	0	1.24	1.24
Profit Provision	0	11.36	11.36

† State Taxes - Does not include Federal Income Tax

ALLSTATE INSURANCE GROUP*

PRIVATE PASSENGER AUTOMOBILE INSURANCE Countrywide Expense Experience For General Expenses 2005, 2006, 2007

	Automobile Liability Insurance		
	2005	2006	2007
1. Direct Premiums Earned	\$ 9,091,997	\$ 9,196,291	\$ 9,105,512
2. General Expense Incurred	452,876	498,626	455,027
3. Ratio (2) / (1)	0.0498	0.0542	0.0500
4. Three Year Average			0.0513
5. Proposed Provision**			0.049

	Automobile Physical Damage Insurance		
	2005	2006	2007
1. Direct Premiums Earned	\$ 6,823,520	\$ 7,046,820	\$ 7,209,615
2. General Expense Incurred	358,539	372,663	383,407
3. Ratio (2) / (1)	0.0525	0.0529	0.0532
4. Three Year Average			0.0529
5. Proposed Provision**			0.051

* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company, Allstate Fire and Casualty Insurance Company and Allstate County Mutual.

** Adjusted to account for reduction in workforce
(000 Omitted)

ALLSTATE INSURANCE GROUP*

PRIVATE PASSENGER AUTOMOBILE INSURANCE Countrywide Expense Experience For Other Acquisition Expenses 2005, 2006, 2007

	Automobile Liability Insurance		
	2005	2006	2007
1. Direct Premiums Earned	\$ 9,091,997	\$ 9,196,291	\$ 9,105,512
2. Other Acquisition Expense Incurred	460,293	504,059	568,635
3. Ratio (2) / (1)	0.0506	0.0548	0.0624
4. Three Year Average			0.0559
5. Adjusted Three Year Average**			0.0463
6. Proposed Provision			0.046

	Automobile Physical Damage Insurance		
	2005	2006	2007
1. Direct Premiums Earned	\$ 6,823,520	\$ 7,046,820	\$ 7,209,615
2. Other Acquisition Expense Incurred	349,801	389,038	450,915
3. Ratio (2) / (1)	0.0513	0.0552	0.0625
4. Three Year Average			0.0563
5. Adjusted Three Year Average**			0.0462
6. Proposed Provision			0.046

* Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company, Allstate Fire and Casualty Insurance Company and Allstate County Mutual.

**Reduced by 1.27% for Liability and 1.32% for Physical Damage to reflect the amount of Installment Fees collected for Allstate Insurance Group and includes a 0.31% provision for Allstate Property & Casualty Insurance Company premiums written off.

(000 Omitted)

**ALLSTATE INSURANCE GROUP
COUNTRYWIDE
CALULATION OF ANNUAL FIXED EXPENSE TREND**

(A). General and Other Acquisition Expenses

(1)	% of Other Acquisition and General Expenses used for Salaries and Employee Relations & Welfare - Allstate Insurance Group, 2007	39.7%
(2)	Employment Cost Index - Insurance Carriers, Agents, Brokers, and Services - (selected annual change ending 12/31/07) U.S. Department of Labor	3.0%
(3)	% of Other Acquisition and General Expenses not used for Salaries and Employee Relations & Welfare - Allstate Insurance Group, 2007.	60.3%
(4)	Consumer Price Index, All Items - (selected annual change ending 12/31/07)	3.0%
(5)	Annual General and Other Acquisition Trend - $[(1) \times (2)] + [(3) \times (4)]$	3.0%

(B). Licenses and Fees

(6)	Annual Licenses and Fees Trend	0.0%
-----	--------------------------------	------

(C) Total Fixed Expenses

(7)	Proportion of Fixed Expenses - General and Other Acquisition	97.3%
(8)	Annual General and Other Acquisition Trend	3.0%
(9)	Proportion of Fixed Expenses - Licenses and Fees	2.7%
(10)	Annual Licenses and Fees Trend	0.0%
(11)	Annual Fixed Expense Trend - $[(7) \times (8) + (9) \times (10)]$	2.9%

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Factor to Adjust for Subsequent Change in Fixed Expense
(For calendar years 2005-2007)

1) Average Earned Date of Experience Period	6/30/2006
2) Average Earned Date of Proposed Policy Period	12/30/2009
3) Number of Years from (1) to (2)	3.501
4) Selected Annual Impact	2.90 %
5) Factor to Adjust for Subsequent Change in Fixed Expense [$1.0 + (4)$] ^ (3)	1.105

ALLSTATE PROPERTY & CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO - LIABILITY

Arkansas

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 1.95%*
force of interest, given an Operating Profit of 7.62%
and six month Policy Terms

Years From Start of Policy Year	Arkansas Cumulative Percent of Losses Paid	Arkansas Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted ** to avg time of profit @ 1.95%	Discounted Payments
1	37.8%	37.8%	0.68	1.0014	37.85%
2	81.2%	43.4%	1.39	0.9876	42.86%
3	89.7%	8.5%	2.46	0.9672	8.22%
4	95.1%	5.4%	3.47	0.9483	5.12%
5	96.2%	1.1%	4.46	0.9303	1.02%
6	99.0%	2.8%	5.46	0.9122	2.55%
Subsequent	100.0%	1.0%	7.45	0.8776	0.88%
Total		100.0%			98.50%
Expected Losses and Loss Expense Ratio					64.16%
Present Value of Loss and Loss Expense Payments					63.20%
Taxes, Licenses and Fees		3.00%	0.70	1.0010	3.00%
Commissions		12.20%	0.58	1.0033	12.24%
Other Acquisition		4.60%	0.56	1.0037	4.62%
General Expense		4.90%	0.63	1.0023	4.91%
Debt Provision		1.24%	0.75	1.0000	1.24%
Profit		9.90%	0.75	1.0000	9.90%
Total Present Value of Outgo					99.11%
Premiums		100.0%	0.60	1.0029	100.29%
Difference, Present Value of Income Less Present Value of Outgo					1.18%

*Discount rate from Investments Department forecast

**exp (0.0195 x (timing of profit being earned - timing of cash flow))

ALLSTATE PROPERTY & CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO - PHYSICAL DAMAGE

Arkansas

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 1.95%*
force of interest, given an Operating Profit of 7.62%
and six month Policy Terms

Years From Start of Policy Year	Arkansas Cumulative Percent of Losses Paid	Arkansas Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted ** to avg time of profit @ 1.95%	Discounted Payments
1	72.8%	72.8%	0.63	1.0023	72.97%
2	100.0%	27.2%	1.15	0.9922	26.99%
3	100.1%	0.1%	2.30	0.9703	0.10%
4	100.1%	0.0%	3.30	0.9514	0.00%
5	100.0%	-0.1%	4.36	0.9320	-0.09%
6	100.0%	0.0%	5.67	0.9085	0.00%
Subsequent	100.0%	0.0%	7.41	0.8782	0.00%
Total		100.0%			99.97%
Expected Losses and Loss Expense Ratio					62.40%
Present Value of Loss and Loss Expense Payments					62.38%
Taxes, Licenses and Fees		3.10%	0.70	1.0010	3.10%
Commissions		12.20%	0.58	1.0033	12.24%
Other Acquisition		4.60%	0.56	1.0037	4.62%
General Expense		5.10%	0.63	1.0023	5.11%
Debt Provision		1.24%	0.75	1.0000	1.24%
Profit		11.36%	0.75	1.0000	11.36%
Total Present Value of Outgo					100.05%
Premiums		100.0%	0.60	1.0029	100.29%
Difference, Present Value of Income Less Present Value of Outgo					0.24%

*Discount rate from Investments Department forecast

*exp (0.0195 x (timing of profit being earned - timing of cash flow))

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Calculation of Premium Trend Factor

<u>Coverage</u>	<u>Selected Annual Premium Impacts Projected</u>
Bodily Injury	-3.00 %
Property Damage	-3.00
Medical	-5.00
Uninsured / Underinsured Motorist	0.50
Collision	2.00
Comprehensive	1.00

	<u>Current Year</u>
1) Average Earned Date of Proposed Policy Period	12/30/2009
2) Mid-Point of Current Year's Experience Period	9/30/2007
3) Experience Period Ended	3/31/2008
4) Midpoint of Experience Period	9/30/2007
5) Historical: Number of Years from (4) to (2)	0.000
6) Projected: Number of Years from (2) to (1)	2.249

Calculation of Trend Factors

Factors to Adjust to Projected Premium Level are the Annual Projected Impacts plus unity compounded for the number of years in (6)

APPENDIX A

36-POINT PURE PREMIUM

TRENDS

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Bodily Injury

Year Ending	Actual Paid Pure		Exponential Curve of Best Fit
	Premium	Annual Change	36 pt.
09/99	\$77.61		\$75.37
12/99	72.41		75.75
03/00	76.93		76.12
06/00	79.55		76.50
09/00	73.31	-5.54	76.88
12/00	74.43	2.79	77.26
03/01	70.29	-8.63	77.64
06/01	74.31	-6.59	78.03
09/01	78.33	6.85	78.42
12/01	81.87	10.00	78.80
03/02	80.57	14.63	79.20
06/02	75.98	2.25	79.59
09/02	80.10	2.26	79.98
12/02	79.35	-3.08	80.38
03/03	83.26	3.34	80.78
06/03	90.97	19.73	81.18
09/03	90.00	12.36	81.58
12/03	85.82	8.15	81.99
03/04	87.80	5.45	82.39
06/04	84.71	-6.88	82.80
09/04	78.10	-13.22	83.21
12/04	81.08	-5.52	83.63
03/05	80.93	-7.82	84.04
06/05	83.53	-1.39	84.46
09/05	89.70	14.85	84.88
12/05	87.12	7.45	85.30
03/06	89.26	10.29	85.72
06/06	86.34	3.36	86.15
09/06	86.48	-3.59	86.57
12/06	88.81	1.94	87.00
03/07	84.03	-5.86	87.43
06/07	83.90	-2.83	87.87
09/07	80.66	-6.73	88.30
12/07	88.98	0.19	88.74
03/08	90.75	8.00	89.18
06/08	88.67	5.69	89.62
Regression			36 pt.
Avg Annual Percent Change Based on Best Fit:			2.00 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Property Damage

Year Ending	Actual Paid Pure Premium Annual Change		Exponential Curve of Best Fit
			36 pt.
09/99	\$79.21		\$79.36
12/99	78.40		79.41
03/00	79.14		79.47
06/00	76.40		79.52
09/00	75.17	-5.10	79.57
12/00	75.59	-3.58	79.63
03/01	78.39	-0.95	79.68
06/01	80.50	5.37	79.74
09/01	82.10	9.22	79.79
12/01	83.34	10.25	79.85
03/02	81.38	3.81	79.90
06/02	80.58	0.10	79.96
09/02	81.78	-0.39	80.01
12/02	83.25	-0.11	80.07
03/03	83.54	2.65	80.12
06/03	82.58	2.48	80.18
09/03	82.84	1.30	80.23
12/03	81.09	-2.59	80.29
03/04	82.53	-1.21	80.34
06/04	85.16	3.12	80.40
09/04	80.65	-2.64	80.45
12/04	79.85	-1.53	80.51
03/05	79.98	-3.09	80.56
06/05	76.36	-10.33	80.62
09/05	77.21	-4.27	80.67
12/05	78.10	-2.19	80.73
03/06	76.68	-4.13	80.78
06/06	79.84	4.56	80.84
09/06	82.68	7.08	80.89
12/06	81.86	4.81	80.95
03/07	82.15	7.13	81.00
06/07	79.34	-0.63	81.06
09/07	79.70	-3.60	81.11
12/07	80.28	-1.93	81.17
03/08	81.39	-0.93	81.22
06/08	83.59	5.36	81.28
Regression			36 pt.
Avg Annual Percent Change Based on Best Fit:			0.27 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Medical

Year Ending	Actual Paid Pure		Exponential Curve of Best Fit
	Premium	Annual Change	36 pt.
09/99	\$19.47		\$19.63
12/99	20.31		19.81
03/00	18.92		19.99
06/00	18.33		20.18
09/00	18.11	-6.99	20.37
12/00	17.64	-13.15	20.56
03/01	19.73	4.28	20.75
06/01	21.52	17.40	20.94
09/01	20.90	15.41	21.14
12/01	20.36	15.42	21.33
03/02	19.15	-2.94	21.53
06/02	16.50	-23.33	21.73
09/02	22.60	8.13	21.94
12/02	24.51	20.38	22.14
03/03	26.08	36.19	22.35
06/03	28.50	72.73	22.55
09/03	25.52	12.92	22.76
12/03	25.52	4.12	22.98
03/04	25.19	-3.41	23.19
06/04	23.39	-17.93	23.41
09/04	27.13	6.31	23.62
12/04	28.86	13.09	23.84
03/05	29.33	16.44	24.07
06/05	30.97	32.41	24.29
09/05	26.92	-0.77	24.52
12/05	23.62	-18.16	24.74
03/06	23.61	-19.50	24.98
06/06	24.14	-22.05	25.21
09/06	24.03	-10.74	25.44
12/06	25.36	7.37	25.68
03/07	24.66	4.45	25.92
06/07	23.55	-2.44	26.16
09/07	23.01	-4.24	26.40
12/07	23.43	-7.61	26.65
03/08	24.43	-0.93	26.90
06/08	25.25	7.22	27.15
Regression			36 pt.
Avg Annual Percent Change Based on Best Fit:			3.78 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Uninsured / Underinsured Motorist

			Exponential Curve of Best Fit
Actual Paid Pure			
Year Ending	Premium	Annual Change	36 pt.
09/99	\$19.69		\$23.01
12/99	23.90		23.08
03/00	24.82		23.15
06/00	22.60		23.22
09/00	29.40	49.31	23.29
12/00	28.11	17.62	23.36
03/01	29.44	18.61	23.42
06/01	30.14	33.36	23.49
09/01	26.41	-10.17	23.56
12/01	23.83	-15.23	23.63
03/02	22.21	-24.56	23.70
06/02	22.07	-26.78	23.77
09/02	21.55	-18.40	23.84
12/02	21.52	-9.69	23.92
03/03	20.39	-8.19	23.99
06/03	19.74	-10.56	24.06
09/03	19.41	-9.93	24.13
12/03	20.80	-3.35	24.20
03/04	22.04	8.09	24.27
06/04	23.06	16.82	24.34
09/04	22.45	15.66	24.42
12/04	21.91	5.34	24.49
03/05	23.74	7.71	24.56
06/05	22.43	-2.73	24.63
09/05	23.27	3.65	24.71
12/05	24.11	10.04	24.78
03/06	23.43	-1.31	24.85
06/06	25.36	13.06	24.93
09/06	27.94	20.07	25.00
12/06	28.19	16.92	25.08
03/07	29.11	24.24	25.15
06/07	30.42	19.95	25.23
09/07	29.37	5.12	25.30
12/07	28.18	-0.04	25.38
03/08	26.39	-9.34	25.45
06/08	22.78	-25.12	25.53
Regression			36 pt.
Avg Annual Percent Change Based on Best Fit:			1.19 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Collision

Year Ending	Actual Paid Pure Premium	Annual Change	Exponential Curve of Best Fit
			36 pt.
09/99	\$141.41		\$148.17
12/99	143.96		148.47
03/00	143.15		148.76
06/00	146.46		149.06
09/00	146.50	3.60	149.36
12/00	143.83	-0.09	149.65
03/01	154.44	7.89	149.95
06/01	153.90	5.08	150.25
09/01	159.42	8.82	150.55
12/01	164.55	14.41	150.85
03/02	158.18	2.42	151.15
06/02	158.33	2.88	151.45
09/02	156.70	-1.71	151.76
12/02	149.01	-9.44	152.06
03/03	154.07	-2.60	152.36
06/03	150.59	-4.89	152.67
09/03	152.39	-2.75	152.97
12/03	156.34	4.92	153.27
03/04	156.99	1.90	153.58
06/04	156.34	3.82	153.89
09/04	154.98	1.70	154.19
12/04	155.55	-0.51	154.50
03/05	150.68	-4.02	154.81
06/05	150.38	-3.81	155.12
09/05	147.61	-4.76	155.43
12/05	149.93	-3.61	155.74
03/06	147.64	-2.02	156.05
06/06	149.27	-0.74	156.36
09/06	154.83	4.89	156.67
12/06	154.53	3.07	156.98
03/07	157.72	6.83	157.30
06/07	161.79	8.39	157.61
09/07	156.13	0.84	157.92
12/07	161.09	4.25	158.24
03/08	164.39	4.23	158.55
06/08	164.65	1.77	158.87
Regression			36 pt.

Avg Annual Percent Change Based on Best Fit:

0.80 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Comprehensive

Year Ending	Actual Paid Pure Premium Annual Change		Exponential Curve of Best Fit
			36 pt.
09/99	\$67.01		\$76.54
12/99	67.32		75.74
03/00	67.09		74.94
06/00	68.68		74.15
09/00	70.72	5.54	73.38
12/00	72.08	7.07	72.60
03/01	75.43	12.43	71.84
06/01	83.37	21.39	71.09
09/01	81.77	15.63	70.34
12/01	80.75	12.03	69.60
03/02	74.48	-1.26	68.87
06/02	68.46	-17.88	68.15
09/02	66.76	-18.36	67.43
12/02	65.05	-19.44	66.72
03/03	64.77	-13.04	66.02
06/03	65.61	-4.16	65.33
09/03	66.94	0.27	64.64
12/03	66.94	2.91	63.96
03/04	67.30	3.91	63.29
06/04	67.25	2.50	62.63
09/04	62.16	-7.14	61.97
12/04	61.93	-7.48	61.32
03/05	62.44	-7.22	60.67
06/05	57.12	-15.06	60.03
09/05	56.99	-8.32	59.40
12/05	58.85	-4.97	58.78
03/06	54.47	-12.76	58.16
06/06	57.27	0.26	57.55
09/06	55.96	-1.81	56.95
12/06	54.50	-7.39	56.35
03/07	54.54	0.13	55.76
06/07	49.75	-13.13	55.17
09/07	50.00	-10.65	54.59
12/07	51.72	-5.10	54.02
03/08	53.40	-2.09	53.45
06/08	61.85	24.32	52.89
Regression			36 pt.
Avg Annual Percent Change Based on Best Fit:			-4.14 %

APPENDIX B

LOSS TRENDS

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Frequency
Bodily Injury

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Frequency	Annual Change	24 pt.	12 pt.	6 pt.
09/02	1.0189 %	-0.68 %	1.1446 %		
12/02	1.0712	2.82	1.1375		
03/03	1.0984	6.99	1.1304		
06/03	1.1332	13.84	1.1233		
09/03	1.1641	14.25	1.1163		
12/03	1.1140	4.00	1.1093		
03/04	1.1371	3.52	1.1024		
06/04	1.1752	3.71	1.0955		
09/04	1.1237	-3.47	1.0887		
12/04	1.0895	-2.20	1.0819		
03/05	1.1145	-1.99	1.0751		
06/05	1.0890	-7.33	1.0684		
09/05	1.1013	-1.99	1.0618	1.0941 %	
12/05	1.1081	1.71	1.0551	1.0806	
03/06	1.0520	-5.61	1.0485	1.0673	
06/06	1.0103	-7.23	1.0420	1.0542	
09/06	1.0016	-9.05	1.0355	1.0412	
12/06	1.0193	-8.01	1.0290	1.0283	
03/07	1.0252	-2.55	1.0226	1.0157	1.0714 %
06/07	1.0757	6.47	1.0162	1.0032	1.0409
09/07	1.0229	2.13	1.0099	.9908	1.0112
12/07	1.0038	-1.52	1.0036	.9786	.9824
03/08	.9653	-5.84	.9973	.9665	.9544
06/08	.8970	-16.61	.9911	.9546	.9272
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-2.47 %	-4.84 %	-10.92 %
State Credibility based on 1,159 Paid Claims					
In Year Ending 6/2008:			32 %	32 %	32 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Severity
Bodily Injury

			Exponential Curve of Best Fit		
Year Ending	Actual Paid	Annual Change	24 pt.	12 pt.	6 pt.
	Severity				
09/02	\$7,862.00	2.97 %	\$7,278.00		
12/02	7,408.00	-5.73	7,339.00		
03/03	7,579.00	-3.43	7,401.00		
06/03	8,028.00	5.17	7,463.00		
09/03	7,731.00	-1.67	7,526.00		
12/03	7,704.00	4.00	7,589.00		
03/04	7,721.00	1.87	7,653.00		
06/04	7,208.00	-10.21	7,717.00		
09/04	6,950.00	-10.10	7,782.00		
12/04	7,442.00	-3.40	7,847.00		
03/05	7,261.00	-5.96	7,913.00		
06/05	7,670.00	6.41	7,979.00		
09/05	8,145.00	17.19	8,046.00	\$7,994.00	
12/05	7,862.00	5.64	8,114.00	8,086.00	
03/06	8,485.00	16.86	8,182.00	8,179.00	
06/06	8,545.00	11.41	8,251.00	8,273.00	
09/06	8,634.00	6.00	8,320.00	8,369.00	
12/06	8,714.00	10.84	8,390.00	8,465.00	
03/07	8,196.00	-3.41	8,460.00	8,563.00	\$7,697.00
06/07	7,799.00	-8.73	8,531.00	8,661.00	8,060.00
09/07	7,886.00	-8.66	8,603.00	8,761.00	8,440.00
12/07	8,864.00	1.72	8,675.00	8,862.00	8,839.00
03/08	9,400.00	14.69	8,748.00	8,964.00	9,256.00
06/08	9,885.00	26.75	8,822.00	9,067.00	9,693.00
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			3.40 %	4.69 %	20.26 %
State Credibility based on 1,159 Paid Claims					
In Year Ending 6/2008:			32 %	32 %	32 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Bodily Injury

Year Ending	Actual Paid Pure Premium Annual Change		Exponential Curve of Best Fit		
			24 pt.	12 pt.	6 pt.
09/02	\$80.10	2.26 %	\$83.31		
12/02	79.35	-3.08	83.48		
03/03	83.26	3.34	83.66		
06/03	90.97	19.73	83.83		
09/03	90.00	12.36	84.01		
12/03	85.82	8.15	84.19		
03/04	87.80	5.45	84.36		
06/04	84.71	-6.88	84.54		
09/04	78.10	-13.22	84.72		
12/04	81.08	-5.52	84.90		
03/05	80.93	-7.82	85.08		
06/05	83.53	-1.39	85.25		
09/05	89.70	14.85	85.43	\$87.46	
12/05	87.12	7.45	85.61	87.38	
03/06	89.26	10.29	85.79	87.30	
06/06	86.34	3.36	85.97	87.22	
09/06	86.48	-3.59	86.16	87.13	
12/06	88.81	1.94	86.34	87.05	
03/07	84.03	-5.86	86.52	86.97	\$82.47
06/07	83.90	-2.83	86.70	86.89	83.90
09/07	80.66	-6.73	86.88	86.81	85.35
12/07	88.98	0.19	87.07	86.73	86.84
03/08	90.75	8.00	87.25	86.65	88.34
06/08	88.67	5.69	87.43	86.56	89.88
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			0.84 %	-0.37 %	7.13 %
State Credibility based on 1,159 Paid Claims					
In Year Ending 6/2008:			32 %	32 %	32 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Frequency
Property Damage

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Frequency	Annual Change	24 pt.	12 pt.	6 pt.
09/02	3.3877 %	-5.52 %	3.4243 %		
12/02	3.3547	-8.81	3.4043		
03/03	3.3361	-5.91	3.3845		
06/03	3.3506	-2.91	3.3647		
09/03	3.3821	-0.17	3.3451		
12/03	3.2644	-2.69	3.3256		
03/04	3.3203	-0.47	3.3062		
06/04	3.3694	0.56	3.2869		
09/04	3.3020	-2.37	3.2678		
12/04	3.3509	2.65	3.2487		
03/05	3.3184	-0.06	3.2298		
06/05	3.2092	-4.75	3.2110		
09/05	3.1911	-3.36	3.1922	3.1714 %	
12/05	3.1633	-5.60	3.1736	3.1545	
03/06	3.1127	-6.20	3.1551	3.1377	
06/06	3.1401	-2.15	3.1367	3.1210	
09/06	3.1030	-2.76	3.1184	3.1043	
12/06	3.0716	-2.90	3.1003	3.0878	
03/07	3.0587	-1.73	3.0822	3.0713	3.0552 %
06/07	3.0373	-3.27	3.0642	3.0550	3.0451
09/07	3.0204	-2.66	3.0463	3.0387	3.0349
12/07	3.0427	-0.94	3.0286	3.0225	3.0248
03/08	3.0365	-0.73	3.0109	3.0064	3.0148
06/08	2.9842	-1.75	2.9934	2.9904	3.0047
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-2.31 %	-2.11 %	-1.33 %
State Credibility based on 3,703 Paid Claims					
In Year Ending 6/2008:			59 %	59 %	59 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Severity
Property Damage

			Exponential Curve of Best Fit		
Year Ending	Actual Paid	Annual Change	24 pt.	12 pt.	6 pt.
	Severity				
09/02	\$2,414.00	5.41 %	\$2,392.00		
12/02	2,482.00	9.58	2,404.00		
03/03	2,504.00	9.11	2,415.00		
06/03	2,465.00	5.57	2,427.00		
09/03	2,449.00	1.45	2,438.00		
12/03	2,484.00	0.08	2,450.00		
03/04	2,486.00	-0.72	2,462.00		
06/04	2,527.00	2.52	2,473.00		
09/04	2,442.00	-0.29	2,485.00		
12/04	2,383.00	-4.07	2,497.00		
03/05	2,410.00	-3.06	2,509.00		
06/05	2,379.00	-5.86	2,521.00		
09/05	2,420.00	-0.90	2,533.00	\$2,460.00	
12/05	2,469.00	3.61	2,545.00	2,486.00	
03/06	2,463.00	2.20	2,557.00	2,512.00	
06/06	2,542.00	6.85	2,569.00	2,538.00	
09/06	2,665.00	10.12	2,582.00	2,564.00	
12/06	2,665.00	7.94	2,594.00	2,591.00	
03/07	2,686.00	9.05	2,606.00	2,618.00	\$2,621.00
06/07	2,612.00	2.75	2,619.00	2,645.00	2,643.00
09/07	2,639.00	-0.98	2,631.00	2,673.00	2,665.00
12/07	2,639.00	-0.98	2,644.00	2,701.00	2,687.00
03/08	2,681.00	-0.19	2,657.00	2,729.00	2,709.00
06/08	2,801.00	7.24	2,669.00	2,758.00	2,731.00
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			1.92 %	4.24 %	3.34 %
State Credibility based on 3,703 Paid Claims					
In Year Ending 6/2008:			59 %	59 %	59 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Property Damage

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Pure		24 pt.	12 pt.	6 pt.
	Premium	Annual Change			
09/02	\$81.78	-0.39 %	\$81.92		
12/02	83.25	-0.11	81.83		
03/03	83.54	2.65	81.74		
06/03	82.58	2.48	81.65		
09/03	82.84	1.30	81.57		
12/03	81.09	-2.59	81.48		
03/04	82.53	-1.21	81.39		
06/04	85.16	3.12	81.30		
09/04	80.65	-2.64	81.21		
12/04	79.85	-1.53	81.12		
03/05	79.98	-3.09	81.04		
06/05	76.36	-10.33	80.95		
09/05	77.21	-4.27	80.86	\$78.02	
12/05	78.10	-2.19	80.77	78.41	
03/06	76.68	-4.13	80.68	78.81	
06/06	79.84	4.56	80.60	79.21	
09/06	82.68	7.08	80.51	79.61	
12/06	81.86	4.81	80.42	80.01	
03/07	82.15	7.13	80.33	80.41	\$80.08
06/07	79.34	-0.63	80.25	80.81	80.47
09/07	79.70	-3.60	80.16	81.22	80.86
12/07	80.28	-1.93	80.07	81.63	81.26
03/08	81.39	-0.93	79.99	82.04	81.66
06/08	83.59	5.36	79.90	82.45	82.06
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-0.43 %	2.03 %	1.97 %
State Credibility based on 3,703 Paid Claims					
In Year Ending 6/2008:			59 %	59 %	59 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Frequency
Medical

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Frequency	Annual Change	24 pt.	12 pt.	6 pt.
09/02	.8482 %	-8.38 %	1.0468 %		
12/02	1.0010	11.99	1.0341		
03/03	1.0296	22.57	1.0215		
06/03	1.0785	43.51	1.0091		
09/03	1.0636	25.39	.9969		
12/03	1.0020	0.10	.9848		
03/04	.9417	-8.54	.9729		
06/04	.9456	-12.32	.9611		
09/04	.8953	-15.82	.9494		
12/04	.9712	-3.07	.9379		
03/05	1.0101	7.26	.9265		
06/05	1.0214	8.02	.9153		
09/05	1.0485	17.11	.9042	.9545 %	
12/05	.9305	-4.19	.8932	.9331	
03/06	.8734	-13.53	.8824	.9123	
06/06	.8946	-12.41	.8717	.8919	
09/06	.8304	-20.80	.8611	.8720	
12/06	.8265	-11.18	.8507	.8525	
03/07	.8619	-1.32	.8404	.8334	.8159 %
06/07	.7782	-13.01	.8302	.8148	.8060
09/07	.7797	-6.11	.8201	.7966	.7963
12/07	.7717	-6.63	.8102	.7788	.7867
03/08	.7525	-12.69	.8003	.7614	.7772
06/08	.8095	4.02	.7906	.7444	.7678
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-4.76 %	-8.64 %	-4.74 %
State Credibility based on 703 Paid Claims					
In Year Ending 6/2008:			27 %	27 %	27 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Severity
Medical

			Exponential Curve of Best Fit		
Year Ending	Actual Paid	Annual Change	24 pt.	12 pt.	6 pt.
	Severity				
09/02	\$2,665.00	18.08 %	\$2,506.00		
12/02	2,448.00	7.46	2,529.00		
03/03	2,533.00	11.15	2,552.00		
06/03	2,643.00	20.36	2,576.00		
09/03	2,400.00	-9.94	2,599.00		
12/03	2,547.00	4.04	2,623.00		
03/04	2,675.00	5.61	2,647.00		
06/04	2,474.00	-6.39	2,671.00		
09/04	3,030.00	26.25	2,696.00		
12/04	2,972.00	16.69	2,720.00		
03/05	2,904.00	8.56	2,745.00		
06/05	3,032.00	22.55	2,770.00		
09/05	2,568.00	-15.25	2,795.00	\$2,586.00	
12/05	2,539.00	-14.57	2,821.00	2,638.00	
03/06	2,703.00	-6.92	2,847.00	2,691.00	
06/06	2,699.00	-10.98	2,873.00	2,745.00	
09/06	2,894.00	12.69	2,899.00	2,800.00	
12/06	3,069.00	20.87	2,926.00	2,856.00	
03/07	2,861.00	5.85	2,952.00	2,913.00	\$2,896.00
06/07	3,027.00	12.15	2,979.00	2,972.00	2,952.00
09/07	2,951.00	1.97	3,007.00	3,031.00	3,009.00
12/07	3,036.00	-1.08	3,034.00	3,092.00	3,067.00
03/08	3,247.00	13.49	3,062.00	3,154.00	3,126.00
06/08	3,119.00	3.04	3,090.00	3,217.00	3,187.00
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			3.71 %	8.26 %	7.97 %
State Credibility based on 703 Paid Claims					
In Year Ending 6/2008:			27 %	27 %	27 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Medical

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Pure		24 pt.	12 pt.	6 pt.
	Premium	Annual Change			
09/02	\$22.60	8.13 %	\$26.23		
12/02	24.51	20.38	26.15		
03/03	26.08	36.19	26.07		
06/03	28.50	72.73	25.99		
09/03	25.52	12.92	25.91		
12/03	25.52	4.12	25.83		
03/04	25.19	-3.41	25.75		
06/04	23.39	-17.93	25.67		
09/04	27.13	6.31	25.59		
12/04	28.86	13.09	25.51		
03/05	29.33	16.44	25.43		
06/05	30.97	32.41	25.35		
09/05	26.92	-0.77	25.27	\$24.68	
12/05	23.62	-18.16	25.20	24.61	
03/06	23.61	-19.50	25.12	24.55	
06/06	24.14	-22.05	25.04	24.48	
09/06	24.03	-10.74	24.96	24.41	
12/06	25.36	7.37	24.89	24.35	
03/07	24.66	4.45	24.81	24.28	\$23.62
06/07	23.55	-2.44	24.73	24.21	23.79
09/07	23.01	-4.24	24.65	24.15	23.96
12/07	23.43	-7.61	24.58	24.08	24.13
03/08	24.43	-0.93	24.50	24.01	24.30
06/08	25.25	7.22	24.43	23.95	24.47
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-1.23 %	-1.09 %	2.86 %
State Credibility based on 703 Paid Claims					
In Year Ending 6/2008:			27 %	27 %	27 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Frequency
Uninsured / Underinsured Motorist

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Frequency	Annual Change	24 pt.	12 pt.	6 pt.
09/02	.6710 %	-6.88 %	.6999 %		
12/02	.6856	-2.25	.7084		
03/03	.6986	2.99	.7170		
06/03	.7408	12.65	.7256		
09/03	.7618	13.53	.7344		
12/03	.7446	8.61	.7433		
03/04	.7669	9.78	.7523		
06/04	.7762	4.78	.7614		
09/04	.8012	5.17	.7706		
12/04	.8349	12.13	.7799		
03/05	.8457	10.28	.7893		
06/05	.8169	5.24	.7988		
09/05	.7841	-2.13	.8085	.7603 %	
12/05	.7483	-10.37	.8183	.7759	
03/06	.7648	-9.57	.8282	.7917	
06/06	.7911	-3.16	.8382	.8079	
09/06	.8377	6.84	.8483	.8244	
12/06	.8626	15.27	.8586	.8412	
03/07	.8595	12.38	.8689	.8584	.8850 %
06/07	.8944	13.06	.8794	.8759	.8933
09/07	.9160	9.35	.8901	.8938	.9017
12/07	.9383	8.78	.9008	.9121	.9102
03/08	.9494	10.46	.9117	.9307	.9187
06/08	.8812	-1.48	.9227	.9497	.9274
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			4.92 %	8.42 %	3.82 %
State Credibility based on 1,092 Paid Claims					
In Year Ending 6/2008:			31 %	31 %	31 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Severity
Uninsured / Underinsured Motorist

Year Ending	Actual Paid Severity	Annual Change	Exponential Curve of Best Fit		
			24 pt.	12 pt.	6 pt.
09/02	\$3,211.00	-12.39 %	\$2,858.00		
12/02	3,139.00	-7.62	2,867.00		
03/03	2,919.00	-10.84	2,877.00		
06/03	2,664.00	-20.62	2,886.00		
09/03	2,548.00	-20.65	2,896.00		
12/03	2,794.00	-10.99	2,906.00		
03/04	2,874.00	-1.54	2,915.00		
06/04	2,971.00	11.52	2,925.00		
09/04	2,802.00	9.97	2,935.00		
12/04	2,624.00	-6.08	2,945.00		
03/05	2,807.00	-2.33	2,954.00		
06/05	2,746.00	-7.57	2,964.00		
09/05	2,968.00	5.92	2,974.00	\$3,287.00	
12/05	3,222.00	22.79	2,984.00	3,254.00	
03/06	3,064.00	9.16	2,994.00	3,221.00	
06/06	3,205.00	16.72	3,004.00	3,189.00	
09/06	3,335.00	12.37	3,014.00	3,157.00	
12/06	3,268.00	1.43	3,024.00	3,125.00	
03/07	3,386.00	10.51	3,034.00	3,093.00	\$3,518.00
06/07	3,401.00	6.12	3,044.00	3,062.00	3,320.00
09/07	3,207.00	-3.84	3,054.00	3,031.00	3,134.00
12/07	3,003.00	-8.11	3,064.00	3,001.00	2,958.00
03/08	2,780.00	-17.90	3,075.00	2,971.00	2,792.00
06/08	2,585.00	-23.99	3,085.00	2,941.00	2,636.00
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			1.34 %	-3.96 %	-20.62 %
State Credibility based on 1,092 Paid Claims					
In Year Ending 6/2008:			31 %	31 %	31 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Uninsured / Underinsured Motorist

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Pure		24 pt.	12 pt.	6 pt.
	Premium	Annual Change			
09/02	\$21.55	-18.40 %	\$20.00		
12/02	21.52	-9.69	20.31		
03/03	20.39	-8.19	20.63		
06/03	19.74	-10.56	20.94		
09/03	19.41	-9.93	21.27		
12/03	20.80	-3.35	21.60		
03/04	22.04	8.09	21.93		
06/04	23.06	16.82	22.27		
09/04	22.45	15.66	22.61		
12/04	21.91	5.34	22.96		
03/05	23.74	7.71	23.32		
06/05	22.43	-2.73	23.68		
09/05	23.27	3.65	24.05	\$24.99	
12/05	24.11	10.04	24.42	25.24	
03/06	23.43	-1.31	24.79	25.50	
06/06	25.36	13.06	25.18	25.76	
09/06	27.94	20.07	25.57	26.02	
12/06	28.19	16.92	25.96	26.29	
03/07	29.11	24.24	26.36	26.55	\$31.13
06/07	30.42	19.95	26.77	26.82	29.66
09/07	29.37	5.12	27.18	27.10	28.26
12/07	28.18	-0.04	27.60	27.37	26.93
03/08	26.39	-9.34	28.03	27.65	25.65
06/08	22.78	-25.12	28.46	27.93	24.44
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			6.33 %	4.13 %	-17.60 %
State Credibility based on 1,092 Paid Claims					
In Year Ending 6/2008:			31 %	31 %	31 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Frequency
Collision

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Frequency	Annual Change	24 pt.	12 pt.	6 pt.
09/02	5.5908 %	-4.51 %	5.2300 %		
12/02	5.4071	-10.14	5.2098		
03/03	5.2949	-8.25	5.1897		
06/03	5.2151	-8.22	5.1697		
09/03	5.0711	-9.30	5.1497		
12/03	5.1027	-5.63	5.1299		
03/04	5.1225	-3.26	5.1101		
06/04	5.0642	-2.89	5.0904		
09/04	5.0729	0.04	5.0708		
12/04	5.0035	-1.94	5.0512		
03/05	4.9420	-3.52	5.0317		
06/05	4.8077	-5.06	5.0123		
09/05	4.7639	-6.09	4.9930	4.7088 %	
12/05	4.7153	-5.76	4.9737	4.7380	
03/06	4.6420	-6.07	4.9546	4.7673	
06/06	4.7597	-1.00	4.9354	4.7969	
09/06	4.8306	1.40	4.9164	4.8266	
12/06	4.9182	4.30	4.8975	4.8565	
03/07	4.9337	6.28	4.8786	4.8866	4.9723 %
06/07	5.0028	5.11	4.8598	4.9169	4.9731
09/07	4.9658	2.80	4.8410	4.9473	4.9739
12/07	4.9982	1.63	4.8223	4.9780	4.9747
03/08	5.0292	1.94	4.8037	5.0088	4.9755
06/08	4.9173	-1.71	4.7852	5.0398	4.9763
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-1.53 %	2.50 %	0.06 %
State Credibility based on 4,161 Paid Claims					
In Year Ending 6/2008:			62 %	62 %	62 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Severity
Collision

			Exponential Curve of Best Fit		
Year Ending	Actual Paid	Annual Change	24 pt.	12 pt.	6 pt.
	Severity				
09/02	\$2,803.00	2.94 %	\$2,886.00		
12/02	2,756.00	0.77	2,904.00		
03/03	2,910.00	6.17	2,921.00		
06/03	2,888.00	3.66	2,939.00		
09/03	3,005.00	7.21	2,956.00		
12/03	3,064.00	11.18	2,974.00		
03/04	3,065.00	5.33	2,992.00		
06/04	3,087.00	6.89	3,010.00		
09/04	3,055.00	1.66	3,028.00		
12/04	3,109.00	1.47	3,046.00		
03/05	3,049.00	-0.52	3,064.00		
06/05	3,128.00	1.33	3,082.00		
09/05	3,098.00	1.41	3,101.00	\$3,120.00	
12/05	3,180.00	2.28	3,119.00	3,133.00	
03/06	3,181.00	4.33	3,138.00	3,147.00	
06/06	3,136.00	0.26	3,157.00	3,161.00	
09/06	3,205.00	3.45	3,176.00	3,175.00	
12/06	3,142.00	-1.19	3,195.00	3,189.00	
03/07	3,197.00	0.50	3,214.00	3,203.00	\$3,169.00
06/07	3,234.00	3.13	3,233.00	3,217.00	3,196.00
09/07	3,144.00	-1.90	3,253.00	3,231.00	3,222.00
12/07	3,223.00	2.58	3,272.00	3,245.00	3,249.00
03/08	3,269.00	2.25	3,292.00	3,259.00	3,275.00
06/08	3,348.00	3.53	3,311.00	3,274.00	3,302.00
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			2.42 %	1.77 %	3.34 %
State Credibility based on 4,161 Paid Claims					
In Year Ending 6/2008:			62 %	62 %	62 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Collision

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Pure		24 pt.	12 pt.	6 pt.
	Premium	Annual Change			
09/02	\$156.70	-1.71 %	\$150.95		
12/02	149.01	-9.44	151.27		
03/03	154.07	-2.60	151.59		
06/03	150.59	-4.89	151.91		
09/03	152.39	-2.75	152.23		
12/03	156.34	4.92	152.55		
03/04	156.99	1.90	152.87		
06/04	156.34	3.82	153.20		
09/04	154.98	1.70	153.52		
12/04	155.55	-0.51	153.85		
03/05	150.68	-4.02	154.17		
06/05	150.38	-3.81	154.50		
09/05	147.61	-4.76	154.82	\$146.91	
12/05	149.93	-3.61	155.15	148.46	
03/06	147.64	-2.02	155.48	150.04	
06/06	149.27	-0.74	155.81	151.63	
09/06	154.83	4.89	156.14	153.24	
12/06	154.53	3.07	156.47	154.86	
03/07	157.72	6.83	156.80	156.51	\$157.59
06/07	161.79	8.39	157.13	158.17	158.91
09/07	156.13	0.84	157.46	159.84	160.26
12/07	161.09	4.25	157.79	161.54	161.61
03/08	164.39	4.23	158.13	163.25	162.97
06/08	164.65	1.77	158.46	164.98	164.35
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			0.85 %	4.31 %	3.42 %
State Credibility based on 4,161 Paid Claims					
In Year Ending 6/2008:			62 %	62 %	62 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Frequency
Comprehensive

			Exponential Curve of Best Fit		
Year Ending	Actual Paid Frequency	Annual Change	24 pt.	12 pt.	6 pt.
09/02	10.2352 %	-12.66 %	10.1938 %		
12/02	9.9452	-14.19	10.0361		
03/03	9.8901	-10.83	9.8809		
06/03	9.6224	-8.70	9.7281		
09/03	9.6970	-5.26	9.5776		
12/03	9.5232	-4.24	9.4295		
03/04	9.3447	-5.51	9.2837		
06/04	9.3417	-2.92	9.1401		
09/04	8.8354	-8.89	8.9987		
12/04	8.7170	-8.47	8.8596		
03/05	8.7521	-6.34	8.7225		
06/05	8.4934	-9.08	8.5876		
09/05	8.4207	-4.69	8.4548	8.4549 %	
12/05	8.4495	-3.07	8.3241	8.3250	
03/06	8.0697	-7.80	8.1953	8.1970	
06/06	8.1420	-4.14	8.0686	8.0710	
09/06	7.9711	-5.34	7.9438	7.9470	
12/06	7.8709	-6.85	7.8209	7.8248	
03/07	7.8295	-2.98	7.7000	7.7046	7.6253 %
06/07	7.4831	-8.09	7.5809	7.5862	7.5328
09/07	7.2972	-8.45	7.4637	7.4696	7.4414
12/07	7.2357	-8.07	7.3482	7.3548	7.3512
03/08	7.1522	-8.65	7.2346	7.2417	7.2620
06/08	7.3986	-1.13	7.1227	7.1304	7.1739
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-6.04 %	-6.01 %	-4.76 %
State Credibility based on 6,112 Paid Claims					
In Year Ending 6/2008:			77 %	77 %	77 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Severity
Comprehensive

			Exponential Curve of Best Fit		
Year Ending	Actual Paid		24 pt.	12 pt.	6 pt.
	Severity	Annual Change			
09/02	\$652.00	-6.59 %	\$668.00		
12/02	654.00	-6.17	671.00		
03/03	655.00	-2.53	673.00		
06/03	682.00	4.92	676.00		
09/03	690.00	5.83	678.00		
12/03	703.00	7.49	681.00		
03/04	720.00	9.92	683.00		
06/04	720.00	5.57	686.00		
09/04	703.00	1.88	689.00		
12/04	710.00	1.00	691.00		
03/05	713.00	-0.97	694.00		
06/05	673.00	-6.53	696.00		
09/05	677.00	-3.70	699.00	\$666.00	
12/05	696.00	-1.97	702.00	673.00	
03/06	675.00	-5.33	704.00	680.00	
06/06	703.00	4.46	707.00	688.00	
09/06	702.00	3.69	709.00	695.00	
12/06	692.00	-0.57	712.00	702.00	
03/07	697.00	3.26	715.00	710.00	\$658.00
06/07	665.00	-5.41	717.00	718.00	683.00
09/07	685.00	-2.42	720.00	725.00	709.00
12/07	715.00	3.32	723.00	733.00	736.00
03/08	747.00	7.17	726.00	741.00	764.00
06/08	836.00	25.71	728.00	749.00	792.00
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			1.51 %	4.39 %	16.03 %
State Credibility based on 6,112 Paid Claims					
In Year Ending 6/2008:			77 %	77 %	77 %

Allstate Insurance Company and Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Loss Trends - Pure Premium
Comprehensive

Year Ending	Actual Paid Pure Premium	Annual Change	Exponential Curve of Best Fit		
			24 pt.	12 pt.	6 pt.
09/02	\$66.76	-18.36 %	\$68.14		
12/02	65.05	-19.44	67.34		
03/03	64.77	-13.04	66.54		
06/03	65.61	-4.16	65.76		
09/03	66.94	0.27	64.98		
12/03	66.94	2.91	64.22		
03/04	67.30	3.91	63.46		
06/04	67.25	2.50	62.71		
09/04	62.16	-7.14	61.97		
12/04	61.93	-7.48	61.24		
03/05	62.44	-7.22	60.52		
06/05	57.12	-15.06	59.80		
09/05	56.99	-8.32	59.10	\$56.30	
12/05	58.85	-4.97	58.40	56.03	
03/06	54.47	-12.76	57.71	55.76	
06/06	57.27	0.26	57.03	55.50	
09/06	55.96	-1.81	56.36	55.23	
12/06	54.50	-7.39	55.70	54.97	
03/07	54.54	0.13	55.04	54.71	\$50.16
06/07	49.75	-13.13	54.39	54.45	51.43
09/07	50.00	-10.65	53.75	54.19	52.73
12/07	51.72	-5.10	53.12	53.93	54.07
03/08	53.40	-2.09	52.49	53.67	55.44
06/08	61.85	24.32	51.87	53.41	56.84
Regression			24 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			-4.63 %	-1.90 %	10.52 %
State Credibility based on 6,112 Paid Claims					
In Year Ending 6/2008:			77 %	77 %	77 %

APPENDIX C

PREMIUM TRENDS

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Premium Trends
Bodily Injury

Exponential Curve of
Best Fit

Year Ending	Average Written Premium @ CRL	Annual Change	6 pt.
12/05	193.68	0.00	
03/06	187.28	0.00	
06/06	184.56	0.00	
09/06	181.37	0.00	
12/06	177.04	-10.78	
03/07	174.92	-8.75	\$174.40
06/07	172.46	-7.91	172.74
09/07	170.72	-6.96	171.10
12/07	169.02	-5.07	169.48
03/08	168.53	-4.33	167.87
06/08	166.23	-4.35	166.28

Regression

6 pt.

Avg Annual Percent Change Based on Best Fit:

-3.74 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Premium Trends
Property Damage

			Exponential Curve of Best Fit
Year Ending	Average Written Premium @ CRL	Annual Change	6 pt.
12/05	173.39	0.00	
03/06	169.30	0.00	
06/06	166.64	0.00	
09/06	164.24	0.00	
12/06	160.87	-7.56	
03/07	159.06	-6.37	\$158.94
06/07	157.28	-5.82	157.39
09/07	155.92	-5.19	155.86
12/07	154.16	-4.16	154.33
03/08	152.86	-3.70	152.83
06/08	151.41	-3.49	151.34
Regression			6 pt.
Avg Annual Percent Change Based on Best Fit:			-3.85 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Premium Trends
Medical

			Exponential Curve of Best Fit
Year Ending	Average Written Premium @ CRL	Annual Change	6 pt.
12/05	44.24	0.00	
03/06	42.97	0.00	
06/06	41.82	0.00	
09/06	41.06	0.00	
12/06	39.96	-10.08	
03/07	39.50	-8.43	\$39.50
06/07	38.93	-7.13	38.96
09/07	38.48	-6.40	38.43
12/07	37.91	-5.09	37.90
03/08	37.33	-5.28	37.38
06/08	36.88	-5.00	36.86
Regression			6 pt.
Avg Annual Percent Change Based on Best Fit:			-5.38 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Premium Trends
Uninsured / Underinsured Motorist

			Exponential Curve of Best Fit
Year Ending	Average Written Premium @ CRL	Annual Change	6 pt.
12/05	63.07	0.00	
03/06	62.69	0.00	
06/06	63.23	0.00	
09/06	63.18	0.00	
12/06	63.31	0.38	
03/07	63.43	1.18	\$63.40
06/07	63.39	0.25	63.46
09/07	63.55	0.59	63.52
12/07	63.59	0.44	63.58
03/08	63.66	0.36	63.64
06/08	63.67	0.44	63.69
Regression			6 pt.
Avg Annual Percent Change Based on Best Fit:			0.37 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Premium Trends
Collision

Exponential Curve of
Best Fit

Year Ending	Average Written Premium @ CRL	Annual Change	6 pt.
12/05	371.25	0.00	
03/06	367.86	0.00	
06/06	368.00	0.00	
09/06	366.82	0.00	
12/06	366.25	-1.68	
03/07	368.14	-0.27	\$368.55
06/07	370.08	0.33	370.17
09/07	372.49	1.41	371.79
12/07	373.84	2.07	373.43
03/08	374.61	1.97	375.06
06/08	376.56	2.01	376.71

Regression

6 pt.

Avg Annual Percent Change Based on Best Fit:

1.77 %

Allstate Property & Casualty Insurance Company
Private Passenger Auto
Arkansas

Premium Trends
Comprehensive

			Exponential Curve of Best Fit
Year Ending	Average Written Premium @ CRL	Annual Change	6 pt.
12/05	223.20	0.00	
03/06	221.07	0.00	
06/06	219.46	0.00	
09/06	217.78	0.00	
12/06	216.84	-3.20	
03/07	217.67	-1.89	\$218.04
06/07	218.50	-0.65	218.54
09/07	219.48	0.67	219.04
12/07	220.02	1.50	219.54
03/08	219.76	1.20	220.04
06/08	220.32	1.10	220.55
Regression			6 pt.
Avg Annual Percent Change Based on Best Fit:			0.92 %



APPENDIX D

DETERMINATION OF THE

UNDERWRITING PROFIT PROVISION

ALLSTATE INSURANCE GROUP

September, 2008

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Section 1: The Fair and Reasonable Return

Standards for Fair Returns

In pricing its insurance products, Allstate seeks to produce a fair and reasonable return from its insurance operations. Generally, what constitutes a fair and reasonable return involves many factors. In the context of ratemaking, the Supreme Court of the United States examined the level of return that constitutes a fair return for a regulated business in two landmark cases; *Federal Power Commission, et al. v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) and *Bluefield Waterworks & Improvement Co. v. Public Service Commission of West Virginia, et al.*, 262 U.S. 679 (1923).

In *Hope Natural Gas*, the court adopted the capital attraction standard, under which the following questions are asked: Is the current rate of return excessive? Is the industry attracting capital and holding it? How risky is the business in comparison with others? Is the industry over-capitalized? Would the industry make better use of its capital if rates were more adequate? The Court concisely summarized the essential components of what we believe to be a fair and reasonable return:

"From the investor or company point of view it is important that there be enough revenue not only for operating expenses, but also for the capital costs of the business. These include service on the debt and dividends on the stock ... By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."¹

In the *Bluefield Waterworks* case, the Court discussed in greater detail the requirement that a regulated enterprise must be permitted to charge such rates as will produce a return comparable to other businesses having corresponding risks. The Court explained:

¹ Hope Natural Gas, 320 U.S. at 603 (citations omitted).

"A public utility is entitled to such rates as will permit it to earn a return upon the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties, but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return . . . should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties."²

Accordingly, for a return to be a fair return, it must meet the following minimum standards that have been recognized by the United States Supreme Court:

1. The return to the firm should be sufficient to attract capital.
2. The return to the shareholder should be commensurate with returns on alternative investments of comparable risk.
3. The return to the firm should be commensurate with returns to other unregulated firms of comparable risk.

This paper will now examine how the components of Allstate's underwriting profit provision are designed to meet each of these standards.

Cost of Equity Capital

Insurance companies incur multiple expenses when writing insurance policies – for example, agent commissions, premium taxes, and personnel salaries, among other things. Another expense that is

² Bluefield Waterworks, 262 U.S. at 692.

incurred is the cost of raising and holding the capital that is required to support the business being written. This expense, known as the cost of equity capital, is included in the rate as what is typically called the "profit provision."

A firm's cost of equity capital is the rate of return that investors expect to earn on the market value of the investment. Allstate's cost of equity capital was estimated, and a corresponding profit provision was derived, using the methodologies described in the remainder of this paper.

Allstate utilized two major cost of capital estimation techniques to determine its result – the Fama-French Three-factor Method, and the Discounted Cash Flow Method. Each method is described in detail below.

Estimating the Cost of Equity Capital with the Fama-French Three-factor Model

Modern financial theory teaches that investors demand higher returns from risky investments. The higher return is necessary to induce investors to assume the risk. Therefore, for our purposes, it is necessary to estimate the financial risk of property/casualty insurance so that we can calculate the appropriate return to investors.

According to traditional capital market theory, the return on any given stock is partly driven by the return on the overall market and partly driven by idiosyncratic factors that are not correlated with the overall market. The relationship or co-variability between a given stock's return and the return on the market is measured by a statistic called "beta". Equilibrium returns, according to theory, are linearly related to risk as measured by beta. Intuitively, beta is a measure of the tendency of the return on a stock to move with the market portfolio and provides an indication of the volatility of a security's return relative to the market as a whole. A security with a beta of one is a security with average market risk. A beta of 1.5 indicates that when the return on the market portfolio exceeds the risk-free return by 10%, then the return on the security tends to exceed the risk-free return by 15%; and when the return on the market is 10% less than the risk-free return, the return on the security tends to be 15% less than the risk-free return. Thus, a beta value that is greater than 1.00 indicates a greater than average risk. A beta of 0.5, on the other hand, indicates that when the return on the market portfolio exceeds the risk-free return by 10%, then the return on the security

tends to exceed the risk-free return by 5%; and when the return on the market portfolio is 10% less than the risk-free return, the return on the security tends to be 5% less than the risk-free return. Thus, a beta less than one indicates less than average risk.

Historically, the capital asset pricing model (CAPM) has been widely used to estimate the cost of equity capital. CAPM is simple in its logic and directly reflects the beta risk measure outlined above. CAPM holds that the return on a stock should reflect the co-variability of the stock with the market portfolio, because this component of risk cannot be diversified away by investors. According to CAPM the return on a stock should not reflect the idiosyncratic component of the return, which can be diversified away by holding an appropriately structured portfolio. The CAPM cost of equity capital estimate requires only three values: an estimate of the firm's beta, a risk-free rate of return, and the expected return on the total market portfolio. The CAPM cost of capital is then simply determined as the sum of the risk-free rate plus a risk premium equal to the product of the stock's beta coefficient and the expected return on the market portfolio in excess of the risk-free rate. Expressed mathematically, the CAPM formula is:

$$r = r_f + \beta(r_m - r_f),$$

where r_f is the risk-free rate of return, r_m the expected equity-market rate of return, and r the stock's expected rate of return. β measures the riskiness of the stock's return relative to that of the equity market.

Since the late 1980's, researchers have observed that CAPM's ability to explain and predict the average returns of many investment opportunities can be improved by incorporating additional factors into the analysis. The most widely recognized multi-factor model is the "Fama-French three-factor model."³ Fama and French have shown that from the 1960's both small stocks and value stocks have returned more than what the traditional CAPM has predicted. In addition to the

³ Fama, Eugene F., and Kenneth R. French, 1992, "The Cross-Section of Expected Stock Returns," *Journal of Finance* 47: 427-465.

Fama, Eugene F., and Kenneth R. French, 1993, "Common Risk Factors In the Returns on Stocks and Bonds," *Journal of Financial Economics* 39: 3-56.

Fama, Eugene F., and Kenneth R. French, 1996, "Size and Book-to-Market Factors in Earnings and Returns," *Journal of Finance* 50: 131-155.

usual market-risk premium ($r_m - r_f$), they utilize two other variables: size premium (π_s) and value premium (π_h).⁴ The size premium is the excess of the return of a portfolio of small-cap stocks over that of a portfolio of large-cap stocks. The value premium is the excess of the return of a portfolio of high book-value-to-market-value stocks over that of a portfolio of low book-value-to-market-value stocks.⁵ Shown in Appendix 1, Exhibit 1 are the long-term averages of the market-risk, small-stock, and value-stock premia from the Fama-French database, which derives from the database of the Center for Research in Security Prices. The Fama-French model regresses a stock's monthly return against monthly returns from the three factors, or in equation form:

$$r - r_f = \alpha + \beta_m (r_m - r_f) + \beta_s \pi_s + \beta_h \pi_h + \varepsilon$$

As before, r_f is the risk-free rate of return for the month observed. But r is now the observed return of the stock for that month. To predict returns we use expected values, but the regression equation explains actual, random observations (hence the error term ε). Similarly, r_m is the actual return of the equity market. The variables π_s and π_h measure by how much small-cap stocks outperformed large-cap stocks, and by how much high book-to-market stocks outperformed low ones. Negative values indicate underperformance. Though an intercept term α is estimated, economic theory states that in the long run it should be zero. Hence, in predicting stock returns it is ignored.

Thus, three betas are estimated, which measure the stock's sensitivity to the three factors. Note that the π -variables are not related to the risk-free return r_f , since they are differences of the returns on one equity portfolio from the returns on another equity portfolio.

The Fama-French model is a multi-factor model that reduces to the CAPM if β_s and β_h are constrained to zero. Therefore, it must explain more stock-return variance than does the CAPM. In a subsequent paper⁶, Fama and French argued that the R-squared of their model is markedly

⁴ The notation is from a paper of J. David Cummins and Richard D. Phillips, "Estimating the Cost of Equity Capital for Property-Liability Insurers."

⁵ The details of how Fama and French define these portfolios, how they periodically rebalance them, and their historic performance are freely available at <http://mba.tuck.dartmouth.edu/pages/faculty/ken.french>.

⁶ Fama, Eugene F. and Kenneth R. French, 1993, "Common Risk Factors in the Returns on Stocks and Bonds," *Journal of Financial Economics* 39: 3-56.

better than that for CAPM, and that β_s and β_h are significantly different from zero, even after controlling for the overall market.⁷ Extensive research since 1992 has shown that factors other than the CAPM market systematic risk factor play an important role in explaining the cross-section of expected stock returns. As Fama and French note:

“...the available evidence suggests that the three-factor model...is a parsimonious description of returns and average returns. The model captures much of the variation in the cross-section of average stock returns, and it absorbs most of the anomalies that have plagued the CAPM.”⁸

The Fama-French model has been subject to the most extensive testing and validation of any multiple factor model.

In addition, we have used a technique for measuring the beta that has been shown to improve accuracy. In estimating the beta coefficients of asset pricing models such as the CAPM and Fama-French models, this technique is known as the sum-beta adjustment (Ibbotson, *SBBI Valuation Edition 2004*, 109-114). The sum-beta method is used to obtain unbiased estimates of the beta coefficients of the risk factors of asset pricing models, when either the individual stock and/or some of the stocks that comprise the risk factors are infrequently traded. Research shows that there is a downward bias in the estimate of the risk factors for shares that trade infrequently.⁹ Although Allstate's stock is frequently traded, we cannot directly compare Allstate's estimated risk factors to those of other companies without first adjusting for the amount of trading in each firm's stock. The adjustment is quite simple – unbiased estimates of the beta coefficients are obtained – in the case of the Fama-French model, by regressing the excess return of the stock on the

⁷ R-squared is a widely accepted measure of the goodness-of-fit of a regression model. It measures the proportion of the variability in the dependent variable of the model (in this case, the excess return of a stock) that is explained by the model.

⁸ Fama, Eugene F. and Kenneth R. French, 1996, “Multifactor Explanations of Asset Pricing Anomalies,” *The Journal of Finance* 51: 56.

⁹ Dimson, Elroy, 1979, “Risk Measurement When Shares are Subject to Infrequent Trading,” *Journal of Financial Economics* 7: 197-226.

contemporaneous risk factors and the previous month's factors.¹⁰ In symbols, the sum-beta version of the Fama-French model is:

$$r - r_f = \alpha + \beta_{m0}(r_{m0} - r_{f0}) + \beta_{m1}(r_{m1} - r_{f1}) + \beta_{s0}\pi_{s0} + \beta_{s1}\pi_{s1} + \beta_{h0}\pi_{h0} + \beta_{h1}\pi_{h1} + \varepsilon$$

In this version there are six beta terms, and their subscripts are augmented with 0 and 1. The stock's excess return is thereby related to the market, size, and value returns of the current period (period 0), as well as to those of the previous period (period 1). Otherwise, all the variables are defined as they were in the three-factor Fama-French model previously discussed.

After estimating the long-term relationships between the stock's excess return and the factors, the unbiased beta coefficient for each factor is obtained by adding the current and lagged beta — hence the term “sum-beta.” With unbiased estimates of the beta coefficients, the cost of equity capital is then determined by multiplying the long-term average risk premium for each factor by the appropriate sum-beta and then summing across the three factors.

Full-Information Betas

Allstate follows the lead of Cummins and Phillips in their application of the full-information adjustment to the Fama-French model.¹¹ From the CRSP data, betas are estimated for rolling sixty-month periods for the thousands of companies in the CRSP database. For more than five thousand of these companies, the S&P/Compustat database provides sales figures by North American Industry Classification System (NAICS) segment. This allows us to define 26 high-level, homogenous business segments, one of which is property/casualty insurance. Each firm can then be treated as a unique mixture of these business segments. In other words, we can decompose the Fama-French betas of the companies in the sample into Fama-French betas of idealized business segments, in particular, those of the property/casualty segment. The details

¹⁰ In applying the sum-beta method, it is important for reasons of consistency to apply the model to stocks that trade frequently as well as to infrequently traded stocks. In the former case, the sum-beta adjustment does not significantly affect the cost of capital estimates.

¹¹ J. David Cummins and Richard D. Phillips, “Estimating the Cost of Equity Capital for Property-Liability Insurers.”

of this procedure are given in the earlier cited working paper of Cummins and Phillips, but in brief, we estimate the industry-segment betas of the following seemingly-unrelated-regression (SUR)¹² model:

$$\begin{aligned}\beta_{mi} &= \sum_j \beta_{mj} \omega_{ij} + \varepsilon_{mi} \\ \beta_{si} &= \sum_j \beta_{sj} \omega_{ij} + \gamma_s \ln(MV_i) + \varepsilon_{si} \\ \beta_{hi} &= \sum_j \beta_{hj} \omega_{ij} + \gamma_h \ln(BV_i / MV_i) + \varepsilon_{hi}\end{aligned}$$

Subscript i indexes the actual companies, subscript j the industry segments. The independent variable ω_{ij} is the participation of the i^{th} firm in the j^{th} segment, and summing it over all j values with i constant equals one. For example, Allstate's exposure is about 18% in the life-insurance segment and 82% in the property/casualty segment. From the firm Fama-French betas (the betas with the i subscript), the model estimates the industry-segment betas (the full-information betas, those with the j subscript). The gamma terms level the size (s) and value (h) attributes of companies in order to make their industry-group betas independent of size and value. The SUR feature estimates and incorporates the covariance between the triad of error terms. Allstate decomposed sum-betas and weighted the error terms of the regression according to the market value of the companies, as did Cummins and Phillips.

Allstate's Cost of Equity Capital Estimate Using Fama-French

Investors expect higher returns from equity investments because equity investments are riskier than risk-free investments, such as Treasury Bills. This additional return over and above a risk-free return is commonly referred to as a risk premium.

The attached Appendix 1, Exhibit 1 presents the three risk premia necessary to apply the Fama-French model. The three risk premia are long-term averages beginning with July 1926 data and ending in June of the year shown in the exhibit. Data before July 1926 are not readily available.

¹² Seemingly unrelated regression is an advanced modeling technique discussed in most econometric textbooks. For a standard treatment see Judge, George G., R.C. Hill, W.E. Griffiths, H. Lütkepohl, and T.-C. Lee, *Introduction to the Theory and Practice of Econometrics*, Second Edition, New York, John Wiley & Sons, 1988, chapter 11.

The CRSP data go back only that far, and Ibbotson Associates takes it as the starting point for all its series.

The market risk premium reflects the degree to which the return on a broad base of stocks has exceeded the risk-free return. Since this risk premium compensates investors for systematic portfolio risk, it is based on a weighted portfolio of all the stocks (currently more than 7,000) in the CRSP database, a portfolio that encompasses the New York and American stock exchanges, the NASDAQ, and the over-the-counter market.

The small-stock premium reflects the degree to which the returns for small companies have exceeded the returns for large companies and adjusts the estimated cost of equity capital for the risk factor associated with firm size.

The value-stock premium reflects the degree to which the returns for companies whose book values are large relative to their market values have exceeded the returns for companies whose book values are correspondingly small. It adjusts the estimated cost of equity capital for the risk factor associated with a firm's ratio of book value to market value. Fama and French form, and quarterly rebalance, the small and large portfolios of CRSP stocks according to the median size. For every month since July 1926, they calculate the difference of the return of the large-stock portfolio from that of the small-stock portfolio. The process is similar for the value-stock premium, except that they use only the upper thirty percent and lower thirty percent of stocks, ranked by their book-to-market ratios.

Appendix 1, Exhibit 2 presents the property/casualty insurance industry betas and coefficients necessary to apply the Fama-French model. As previously described, these values are based on CRSP data for thousands of firms, subdivided into twenty-six business segments.

Appendix 1, Exhibit 3 summarizes the market value and book value from Allstate's reported financial statements. Only the two "Log" columns will carry forward into the cost-of-capital calculation. These "Log" values will multiply with the model-estimated gammas, so that the size

and value components of the cost of capital will be tailored to Allstate within the property/casualty insurance segment.

Appendix 1, Exhibit 4, Page 1 summarizes the Fama-French model estimates of the market-risk, size-risk, and value-risk betas. Calculations are shown for the most recent five-year period. Note that nothing unique to Allstate flows into the market-risk beta, but the size-risk and value-risk components are specific to Allstate.

Allstate's methodology utilizes an averaging of the betas in an attempt to increase stability, as the beta values can fluctuate from year to year. A 3-year average is currently used, which also lends a degree of responsiveness to the beta value. However, both the 3- and 5-year averages will be monitored and considered prospectively in order to prevent large fluctuations from year to year.

The return on 28-day Treasury Bills is used to represent the risk-free return. This value, obtained from the Federal Reserve, is the annualized return. Since such Bills mature at the end of the period, they are as free from market-price fluctuation as they are from default.

Appendix 1, Exhibit 4, Page 2 summarizes the final calculation of the Fama-French cost of equity. The cost of equity is equal to the sum of the P/C industry market risk premium, the Allstate size risk premium, the Allstate value risk premium, and the risk-free return.

Estimating the Cost of Equity Capital with the Discounted Cash Flow Model

The Discounted Cash Flow (DCF) model, as the name implies, is based on the concept of discounting future cash flows. The underlying assumption of the model is that the cost of an investment, typically the price of a stock, must equal the present value of the cash flows from the investment. The logic is as follows: investors are willing to pay the current price for a share of stock only if the present value of the expected cash flows arising from the investment is equal to that price. If the present value of the cash flows were greater (less) than the current price, investors would bid the price up (down).

The cash flows arising from the purchase of a share of stock are the dividend payments the investor expects to receive in the future. If the security is expected to be held in perpetuity, then the stock price can be expressed as the sum of the discounted future dividend yields:

$$P_0 = [D_1/(1+k)] + [D_2/(1+k)^2] + [D_3/(1+k)^3] + \dots \quad (1)$$

where P_0 is the price of the stock, D_i is the dividend yield in period i , and k is the investor's implicit discount rate, or cost of capital. If dividends are expected to grow at a constant annual rate, g , in the future, then the dividend in time period i is simply the current dividend, D_0 , times the growth factor $(1+g)^i$. It can be shown, by suitable mathematical manipulation, that this formulation of the DCF model is equivalent to the equation below:

$$k = (D_1/P_0) + g \quad (2)$$

where D_1/P_0 is the dividend yield expected in the first year and g is the expected growth rate of the dividends. It can also be shown that even if the investor expects to sell the security at some later date, the price at that time will be equal to the present value of the then future dividend flows. Therefore any expected future capital gain will be impounded in the current estimates of future cash flows.

As shown in equation (2) above, calculating cost of capital entails collecting data and developing computational procedures to estimate the two components on the right hand side of the equal sign – the expected first year dividend yield and the expected growth rate in dividends. The approach taken by Allstate in the estimation of these two components was derived largely from the hearings of the Federal Energy Regulatory Commission (FERC), which produced a substantial amount of testimony relating to the implementation of the DCF model¹³.

The first component of the DCF equation, D_1/P_0 , is the anticipated dividend yield in the coming year. It is the estimated total cash dividends to be declared over the next 12 months divided by the

¹³ We relied heavily on a series of these FERC orders, including orders 420, 442, 442A, 461, and 489 in developing the estimation procedures used in the analysis herein.

current price of the stock. This value is reported directly in the data source¹⁴ upon which we rely, and hence requires no specific calculation.

The second component of equation (2) is the growth rate, g . We calculate this value as the average of several different estimates, including historical and forecasted dividend and earnings growth rates, and the growth rate from what is termed the “fundamental analysis.”

Regarding the dividend/earnings data, the composite earnings and dividend growth rates are calculated as the average of five-year and ten-year historical growth rates and analysts forecasts of such growth rates in the future. Details of these calculations can be found on Appendix 2, Exhibit 3, Pages 1 and 2. The average of the dividend growth rate¹⁵ and the earnings growth rate¹⁶ is called the “Growth Forecast.”

The second method, “fundamental analysis” (also known as the “sustainable growth model”, the “internal growth model” or the “plowback method”), is a method of estimating expected future dividend growth that depends solely on the firm’s own financing activities: the retention and reinvestment of earnings and the issuance of new stock. The underlying premise of this approach is that sustainable growth in the future depends on the firm’s ability to generate such growth internally. Thus, the fundamental analysis computes the expected growth rate as the sum of the earnings retained to common equity and a stock issuance adjustment factor, as follows:

$$\text{Fundamental growth} = e + s \cdot v$$

e = earnings retained to common equity

s = fraction of shares to be issued

v = (market/book) - 1.

The first component of the sum above – the earnings retained to common equity – represents the growth in dividends arising from the reinvestment of retained earnings; for example, if 60% of

¹⁴ Value Line Investment Survey

¹⁵ Appendix 2, Exhibit 3, Page 1: Column (5)

¹⁶ Appendix 2, Exhibit 3, Page 2: Column (5)

earnings are retained and reinvested within the firm, and the rate of return on investment is expected to be 15%, then earnings and dividends should grow 9% ($=60\% * 15\%$), because the reinvested earnings will produce profits that can be used to pay higher dividends in the future. The second component of the sum above represents an estimate of the growth in dividends that can arise if a firm sells new stock at prices above book value. Details regarding the calculation of the fundamental analysis can be found on Appendix 2, Exhibit 4, Pages 1 and 2.

The dividend growth rate (g), can then be estimated as the average of the growth forecast and the fundamental analysis. Once the dividend growth rate has been calculated, the cost of equity can be calculated using equation (2) above – the sum of the dividend growth rate and the expected first-year dividend yield. Details regarding the calculation of the cost of equity can be found on Appendix 2, Exhibit 1.

Allstate's Cost of Equity Capital Selection

Allstate utilizes both the Fama-French model and the Discounted Cash Flow model to leverage the strengths of each model. A strength of the Fama-French model is its responsiveness to current market conditions; a strength of the Discounted Cash Flow model is its degree of stability in its results. By incorporating the results of both analyses, Allstate can produce an estimated cost of capital that strikes a balance between the more responsive model and the more stable one.

After considering the results from both the Fama-French and Discounted Cash Flow analyses, Allstate selected a cost of capital, as shown on Appendix 3, Exhibit 1, Page 1.

Section 2: Development of the Underwriting Profit Provision

From a Given Cost of Equity

Underwriting profit is defined in *Actuarial Standards of Practice, No. 30* as “Premiums less losses, loss adjustment expenses, underwriting expenses, and policyholder dividends.”¹⁷ Thus, a provision for underwriting profit is a portion of the actuarially developed rate, and is often expressed as a percentage of the rate.¹⁸ The underwriting profit provision is an estimate of future profits; because actual losses and expenses can differ from those expected, the actual realized underwriting profit may not equal the target profit provision.

In the past, development of the underwriting profit provision for insurance companies was a task that involved no underlying theory, but rather constituted the simple task of selecting a round number. From 1921 until the 1960’s, a 5% underwriting profit provision was used for most lines.¹⁹ This approach, however, was not based on financial theory and neglected investment income and income taxes. As pricing techniques have become more sophisticated through the incorporation of financial theory, the development of the underwriting profit provision has become more rigorous and the need for financial soundness more important. Allstate’s method of determining the appropriate underwriting profit provision, which is described in detail in this paper, involves determining the *total* profit needed to meet the demand of investors and then subtracting out the profit received from investment income to arrive at the underwriting profit needed from insurance operations and, ultimately, from the premium collected.

Section 1: *The Fair and Reasonable Return* describes the step-by-step process by which Allstate’s cost of equity was calculated. In order to obtain the needed cost of equity, Allstate must include an appropriate underwriting profit provision in its ratemaking methodology. The development of the appropriate underwriting profit provision is shown below.

Appendix 3, Exhibit 1, Page 2 displays the flow of calculations from a given cost of equity to the underwriting profit provision; below is a detailed discussion of each step in the process of

¹⁷ *Actuarial Standards of Practice, No. 30*; page 2

¹⁸ *Ibid*; page 2

¹⁹ The notable exception is Workers Compensation, which used a 2.5% profit load (Robbin, 1992)

calculating an underwriting profit provision based on a given cost of equity. Please see the exhibits attached in Appendix 3 for supporting data used in the calculation of the underwriting profit provision, as catalogued in Appendix 3, Exhibit 1, Page 2.

Detail Supporting the Underwriting Profit Calculations

Step (1): Average Market Value of Equity

As mentioned in Section 1: *The Fair and Reasonable Return*, the cost of equity is a rate of return on the market value of the firm. Therefore, once we have calculated the cost of equity (as described in *The Fair and Reasonable Return*), we must determine the appropriate market value to which this return should be applied.

The market value of a firm, which can be calculated as the sum of a firm's shares of stock multiplied by the price for that stock, is a constantly changing value. Therefore, in order to establish a measure of stability within the pricing calculations, Allstate applies a long-term average of the company's market-to-book ratio to the year-end book value to determine the average market value. In addition, a "market value" for two of Allstate's separate entities – Allstate New Jersey and Allstate Floridian – is imputed using each company's proportion of total corporate book value. Details for these calculations can be found on Appendix 3, Exhibit 2.

Step (2): Cost of Equity (%)

Details of the derivation of the cost of equity can be found in Section 1: *The Fair and Reasonable Return*. A summary of the cost of capital analysis results can be found in Appendix 3, Exhibit 1, Page 1.

Step (3): Cost of Equity (\$)

Given the market value of the firm (Step 1) and the percentage cost of equity (Step 2), we can calculate the dollar value of the cost of equity as the product of Step 1 and Step 2.

Step (4): Dividend Payout Ratio

Appendix 3, Exhibit 3 details the derivation of the dividend payout ratio. In this calculation, stock repurchases are considered with dividends in the total payout. The result of a stock repurchase is to increase the value of each remaining share. Since the market value is unchanged, and the number of shares outstanding has decreased, the value per share increases. Thus, similar to a dividend, the shareholder receives income, despite the fact that total market value and the present value of growth opportunities for the company remain unchanged. The dividend payout ratio is obtained by summing the Total Payout, column (5), and the GAAP Net Income, column (2), and calculating the ratio of these two sums. Because the amount of dividends paid and stock repurchases made in a given year are based on the income earned in the previous year, the GAAP Net Income is lagged by one year in determining the dividend payout ratio. Data starting in 1996 is used to calculate the average, as that is the data available since Allstate became a publicly traded firm in 1995.

Step (5): Average Market-to-book Ratio

Appendix 3, Exhibit 4 details the derivation of the average market-to-book ratio. Due to the amount of fluctuation in market-to-book ratios, Allstate uses a long-term average estimate of this ratio.

Step (6): Income Due Shareholders

Recall that the cost of equity is the return on the market value of the firm, which is the return due to the shareholders. Therefore, the dollar value of the cost of equity, shown in Step 3, is the income due to shareholders.

Step (7): Income Needed by Allstate

The amount of income that Allstate must earn in order to pay shareholders is not necessarily equal to the amount of income due to the shareholders. Given Allstate's dividend payout ratio

and market-to-book ratio, we can calculate the amount of income that Allstate must earn in order to provide the cost of capital to shareholders.

If a company's market-to-book ratio is greater than one, and its dividend payout ratio is less than 100%, then the amount of income that the firm needs to make is less than the amount due to the shareholders. For example, if the income due to shareholders was \$100, and the company had a market-to-book ratio of 1.50 and a dividend payout ratio of 0.60, then we know that $\$100 = 60\% * X + 40\% * 1.50 * X$, where X is the income needed by the company. We can rearrange the equation to make it easier to solve for X: $X = \$100 / (60\% + 40\% * 1.50) = \83.33 . Therefore, in this scenario, the company would need to earn \$83.33 in order to provide \$100 to its shareholders.

Similar to this example, because Allstate's market-to-book ratio is greater than one and its dividend payout ratio is less than 100%, the amount of income that Allstate must earn is less than the amount due to the shareholders. In general terms, the equation can be described as follows: $\text{Income Needed by the Company} = \text{Income Due Shareholders} / [\text{Dividend Payout Ratio} - (1 - \text{Dividend Payout Ratio}) * \text{Market-to-book Ratio}]$. This is the formula used to calculate the income needed by Allstate in Step 7.

Step (8): Investment Income on Equity

Allstate earns investment income on its equity capital, which contributes to the income needed by Allstate. The value listed in Step 8 is derived from an investment income forecast produced by Allstate's Investments department. Allstate uses projected values of investment income, rather than historical averages of actual investment income, because it allows for swifter adaptation to changes in Allstate's investment portfolio, as well as evolving market conditions.

The investment income estimate includes investment income and capital gains, both realized and unrealized. In addition, net income from Allstate Financial is included.

Step (9): Operating Income Needed:

“Operating income” is the term that is used to describe the amount of income made by a company through its insurance operations, that is, through its underwriting profits and investment income from policyholder-supplied funds. Operating income does not include investment income on capital.

To derive Allstate’s target operating income, one must simply start with the total target income for Allstate (Step 7) and subtract the investment income on equity capital (Step 8). The remaining target income is the operating income.

Step (10): Earned Premium

This value represents the latest calendar year of earned premium from all lines of business. Similar to the estimate of the average market value of equity in Step 1, the earned premium is subdivided for Allstate New Jersey, Allstate Floridian, and the remainder of Allstate Group. Details on this subdivision can be found on Appendix 3, Exhibit 2.

Step (11): Operating Ratio

Operating income can be expressed as a ratio to premium by dividing the operating income (Step 9) by the earned premium (Step 10).

Step (12): Investment Income for Policyholder-supplied Funds

As mentioned above, operating income is equal to the sum of the underwriting profit and the investment income from policyholder-supplied funds (PHSF). Therefore, in order to determine the appropriate target underwriting profit, we must estimate the expected investment income from PHSF.

PHSF are equal to loss and unearned premium reserves, and Allstate estimates the investment income produced by them using an analysis of premium, expense, and loss cash flows. Premiums are collected, expenses are incurred, and losses are paid in different time frames. In most cases, premiums are collected over a short period of time, while expenses and, more notably, losses are paid out over a longer period of time. This difference in cash inflow and

outflow allows the insurer to earn investment income on the premium supplied by the policyholder.

A cash-flow analysis is one of the two examples given in Actuarial Standards of Practice, No. 30 as appropriate methods for recognizing investment income from insurance operations (page 4). This methodology also allows us to differentiate the amount of expected investment income by line of business and by state. Therefore, lines of business and states with longer-tailed losses are estimated to have higher than average investment income, and vice versa.

The discount rate used in the cash flow calculations is based on the investment income rate of return for Allstate's investment portfolio. It is the same rate of return that is used in Step 8: investment income on equity capital.

Details of the investment income on PHSF calculations can be found on Appendix 3, Exhibit 5.

Step (13): After-tax Underwriting Profit Provision

As mentioned in Step 12 above, the amount of underwriting income required from insurance operations can be reduced for the investment gains resulting from the timing of policy cash flows. Thus, the investment gains from PHSF are subtracted from the operating ratio to get the after-tax underwriting profit provision.

Step (14): Tax Rate

Allstate's federal income tax rate on underwriting income is 35%. This step in the calculations is only for the taxation of underwriting income. Taxes paid on investment income were accounted for separately in Steps 8 and 12.

Step (15): Pre-tax Underwriting Profit Provision

In order to receive the appropriate after-tax underwriting income, a pre-tax underwriting profit provision must be targeted. To calculate this, the after-tax underwriting profit provision is divided by one minus the income tax rate. This is the underwriting profit provision used in the development of the rate level indication.

Appendix 1

The Fama-French Three-factor Model

FAMA-FRENCH RISK PREMIA

Annual Avg until December	Market-Risk Premium	Small-Stock Premium	Value-Stock Premium
2003	8.26%	3.79%	5.16%
2004	8.30%	3.81%	5.21%
2005	8.25%	3.73%	5.26%
2006	8.29%	3.69%	5.37%
2007	8.22%	3.54%	5.15%

All time series commence from 1926.

Source: <http://mba.tuck.dartmouth.edu/pages/faculty/ken.french>

PROPERTY/CASUALTY INDUSTRY SEGMENT
Betas

60 Months ending December	Market-Risk Beta	Prop/Cas Small- Stock Beta	Prop/Cas Value- Stock Beta	Market-Value Coefficient	Book-to-Market Coefficient
2003	0.576	1.230	0.706	-0.148	0.259
2004	0.648	1.104	0.658	-0.133	0.239
2005	0.511	1.601	0.451	-0.166	0.345
2006	0.845	1.408	0.229	-0.145	0.219
2007	1.198	1.453	0.076	-0.184	0.321

ALLSTATE CORPORATION

NAICS Code 524126

Allstate Compustat Data

Estimation Year	(\$ Million)		Log Market Value	Log Book-to-Market
	Market Value	Book Value		
2003	30,268	20,565	10.3178	-0.3865
2004	35,491	21,823	10.4770	-0.4863
2005	35,072	20,186	10.4652	-0.5524
2006	40,690	21,846	10.6137	-0.6220
2007	29,809	21,851	10.3025	-0.3105

Source: Standard & Poor's/Compustat

ALLSTATE CORPORATION
Betas

Market Risk Component:

(1) Period	(2) Prop/Cas Market Beta
2003	0.576
2004	0.648
2005	0.511
2006	0.845
2007	1.198
3-yr Avg	0.851
5-yr Avg	0.756
Selected	0.851

Size Risk Component:

(3) Period	(4) Prop/Cas Size Beta	(5) Market Value Coefficient	(6) Log Market Value	(7)=(4) + (5)*(6) Size Risk Beta
2003	1.230	-0.148	10.3178	-0.297
2004	1.104	-0.133	10.4770	-0.289
2005	1.601	-0.166	10.4652	-0.136
2006	1.408	-0.145	10.6137	-0.131
2007	1.453	-0.184	10.3025	-0.443
3-yr Avg				-0.237
5-yr Avg				-0.259
Selected				-0.237

Value Risk Component:

(8) Period	(9) Prop/Cas Value Beta	(10) Book-to-Mkt Coefficient	(11) Log Book- to-Market	(12)=(9)+(10)*(11) Value Risk Beta
2003	0.706	0.259	-0.3865	0.606
2004	0.658	0.239	-0.4863	0.542
2005	0.451	0.345	-0.5524	0.260
2006	0.229	0.219	-0.6220	0.093
2007	0.076	0.321	-0.3105	-0.024
3-yr Avg				0.110
5-yr Avg				0.295
Selected				0.110

Note: Each time period is a 60-month period ending December in the year shown.

ALLSTATE CORPORATION
Estimated Cost of Equity Capital

Cost of Equity Capital:

	Value	Source
(1) Long-term Average Market Risk Premium:	8.22%	App. 1, Exh. 1
(2) Selected Beta:	0.851	App. 1, Exh. 4, Pg. 1
(3) P/C Industry Market Risk Premium:	7.00%	= (1) * (2)
(4) Long-term Size Risk Premium:	3.54%	App. 1, Exh. 1
(5) Selected Size Beta:	-0.237	App. 1, Exh. 4, Pg. 1
(6) Allstate Size Risk Premium:	-0.84%	= (4) * (5)
(7) Long-term Value Risk Premium:	5.15%	App. 1, Exh. 1
(8) Selected Value Beta:	0.110	App. 1, Exh. 4, Pg. 1
(9) Allstate Value Risk Premium:	0.57%	= (7) * (8)
(10) Total Risk Premium:	6.73%	= (3) + (6) + (9)
(11) Risk-free Return:	1.88%	US Treasury*
(12) Fama-French Cost of Equity Capital:	8.61%	= (10) + (11)

*The risk-free return is the investment return on a 28-day Treasury bill, as of June 16, 2008

http://www.ustreas.gov/offices/domestic-finance/debt-management/interest-rate/daily_treas_bill_rates_historical.shtml

Appendix 2

The Discounted Cash Flow Model

ALLSTATE CORPORATION
Discounted Cash Flow Analysis
Summary

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Time Period	Estimated Dividend Yield	Dividend Component	Earnings Component	Growth Forecast	Earnings Retention	Stock Issuance Factor	Fundamental Analysis	Dividend Growth Rate	Cost of Capital
4th Quarter 2007	2.90	11.00	10.83	10.92	11.49	(0.90)	10.59	10.75	13.65
3rd Quarter 2007	2.60	11.00	11.50	11.25	10.99	(0.90)	10.09	10.67	13.27
2nd Quarter 2007	2.60	11.67	6.33	9.00	10.00	(0.09)	9.91	9.45	12.05
1st Quarter 2007	2.30	11.83	6.83	9.33	9.90	(0.06)	9.84	9.58	11.88
4th Quarter 2006	2.40	11.67	8.00	9.83	8.60	(0.03)	8.57	9.20	11.60
3rd Quarter 2006	2.60	11.67	8.00	9.83	9.10	(0.04)	9.06	9.44	12.04
2nd Quarter 2006	2.60	11.67	7.17	9.42	9.87	(0.36)	9.50	9.46	12.06
1st Quarter 2006	2.50	13.33	11.67	12.50	10.70	(0.90)	9.80	11.15	13.65
4th Quarter 2005	2.40	13.33	11.67	12.50	10.70	(0.90)	9.80	11.15	13.55
3rd Quarter 2005	2.20	15.17	9.33	12.25	10.70	(0.99)	9.71	10.98	13.18
2nd Quarter 2005	2.40	15.17	9.00	12.08	10.26	(1.43)	8.83	10.45	12.85
1st Quarter 2005	2.30	15.50	10.83	13.17	10.76	(1.69)	9.07	11.12	13.42
4th Quarter 2004	2.30	15.50	10.33	12.92	9.76	(0.37)	9.39	11.15	13.45
3rd Quarter 2004	2.50	15.50	10.17	12.83	9.76	(0.28)	9.48	11.16	13.66
2nd Quarter 2004	2.50	11.00	5.50	8.25	10.06	(0.55)	9.51	8.88	11.38
1st Quarter 2004	2.20	10.25	5.50	7.88	10.24	(0.56)	9.67	8.77	10.97
4th Quarter 2003	2.50	10.25	5.50	7.88	10.24	(0.46)	9.78	8.83	11.33
3rd Quarter 2003	2.50	10.25	4.75	7.50	10.57	(0.50)	10.07	8.78	11.28
2nd Quarter 2003	2.80	10.25	9.25	9.75	10.57	(0.50)	10.07	9.91	12.71
1st Quarter 2003	2.20	10.50	8.75	9.63	10.74	(0.60)	10.14	9.88	12.08

Sources (within Appendix 2):

(2): Exhibit 2, Column (2)

(3): Exhibit 3, Page 1, average of Columns (2)-(4)

(4): Exhibit 3, Page 2, average of Columns (2)-(4)

(5): Average of Columns (3)-(4)

(6): Exhibit 4, Page 1, average of Columns (2)-(4)

(7): Exhibit 4, Page 2, Column (5)

(8): Sum of column (6) and column (7)

(9): Average of Columns (5) and (8)

(10): Sum of column (2) and column (9)

ALLSTATE CORPORATION
Discounted Cash Flow Analysis
Estimated Dividend Yield

(1)	(2)
Time Period	Estimated Dividend Yield
4th Quarter 2007	2.90
3rd Quarter 2007	2.60
2nd Quarter 2007	2.60
1st Quarter 2007	2.30
4th Quarter 2006	2.40
3rd Quarter 2006	2.60
2nd Quarter 2006	2.60
1st Quarter 2006	2.50
4th Quarter 2005	2.40
3rd Quarter 2005	2.20
2nd Quarter 2005	2.40
1st Quarter 2005	2.30
4th Quarter 2004	2.30
3rd Quarter 2004	2.50
2nd Quarter 2004	2.50
1st Quarter 2004	2.20
4th Quarter 2003	2.50
3rd Quarter 2003	2.50
2nd Quarter 2003	2.80
1st Quarter 2003	2.20

Sources:

Value Line Investment Surveys, Part 3, The Ratings & Reports
Various editions from 1994 to 2008

ALLSTATE CORPORATION
Discounted Cash Flow Analysis
Dividends Per Share Experience

(1)	(2)	(3)	(4)	(5)
Time Period	<i>Annual Rate of Change</i>			Average
	Past 10 Years	Past 5 Years	Forecast	
4th Quarter 2007	12.50	13.00	7.50	11.00
3rd Quarter 2007	12.50	13.00	7.50	11.00
2nd Quarter 2007	13.50	12.50	9.00	11.67
1st Quarter 2007	13.50	12.50	9.50	11.83
4th Quarter 2006	13.50	12.50	9.00	11.67
3rd Quarter 2006	13.50	12.50	9.00	11.67
2nd Quarter 2006	13.50	12.50	9.00	11.67
1st Quarter 2006	18.50	12.50	9.00	13.33
4th Quarter 2005	18.50	12.50	9.00	13.33
3rd Quarter 2005	25.00	11.50	9.00	15.17
2nd Quarter 2005	25.00	11.50	9.00	15.17
1st Quarter 2005	25.00	11.50	10.00	15.50
4th Quarter 2004	25.00	11.50	10.00	15.50
3rd Quarter 2004	25.00	11.50	10.00	15.50
2nd Quarter 2004	NA	12.00	10.00	11.00
1st Quarter 2004	NA	12.00	8.50	10.25
4th Quarter 2003	NA	12.00	8.50	10.25
3rd Quarter 2003	NA	12.00	8.50	10.25
2nd Quarter 2003	NA	11.50	9.00	10.25
1st Quarter 2003	NA	11.50	9.50	10.50

Sources:

Value Line Investment Surveys, Part 3, The Ratings & Reports
Various editions from 1994 to 2008

ALLSTATE CORPORATION
Discounted Cash Flow Analysis
Earnings Per Share Experience

(1)	(2)	(3)	(4)	(5)
Time Period	<i>Annual Rate of Change</i>			Average
	Past 10 Years	Past 5 Years	Forecast	
4th Quarter 2007	11.00	12.50	9.00	10.83
3rd Quarter 2007	11.50	13.50	9.50	11.50
2nd Quarter 2007	10.00	1.00	8.00	6.33
1st Quarter 2007	10.00	1.00	9.50	6.83
4th Quarter 2006	10.00	1.00	13.00	8.00
3rd Quarter 2006	10.00	1.00	13.00	8.00
2nd Quarter 2006	10.00	1.00	10.50	7.17
1st Quarter 2006	22.50	0.50	12.00	11.67
4th Quarter 2005	22.50	0.50	12.00	11.67
3rd Quarter 2005	19.50	-3.50	12.00	9.33
2nd Quarter 2005	19.50	-3.50	11.00	9.00
1st Quarter 2005	19.50	-3.50	16.50	10.83
4th Quarter 2004	19.50	-3.50	15.00	10.33
3rd Quarter 2004	19.50	-3.50	14.50	10.17
2nd Quarter 2004	NA	-1.50	12.50	5.50
1st Quarter 2004	NA	-1.50	12.50	5.50
4th Quarter 2003	NA	-1.50	12.50	5.50
3rd Quarter 2003	NA	-1.50	11.00	4.75
2nd Quarter 2003	NA	10.00	8.50	9.25
1st Quarter 2003	NA	10.00	7.50	8.75

Sources:

Value Line Investment Surveys, Part 3, The Ratings & Reports

Various editions from 1994 to 2008

ALLSTATE CORP
Discounted Cash Flow Analysis
Average Earnings Retention Rates

(1)	(2)	(3)	(4)	(5)
Time Period	10-year Average	5-Year Average	Forecast	Average
4th Quarter 2007	11.46	10.50	12.50	11.49
3rd Quarter 2007	11.46	10.50	11.00	10.99
2nd Quarter 2007	11.47	10.52	8.00	10.00
1st Quarter 2007	11.37	10.32	8.00	9.90
4th Quarter 2006	10.83	7.46	7.50	8.60
3rd Quarter 2006	10.83	7.46	9.00	9.10
2nd Quarter 2006	11.60	8.50	9.50	9.87
1st Quarter 2006	11.60	8.50	12.00	10.70
4th Quarter 2005	11.60	8.50	12.00	10.70
3rd Quarter 2005	11.60	8.50	12.00	10.70
2nd Quarter 2005	10.72	9.06	11.00	10.26
1st Quarter 2005	10.72	9.06	12.50	10.76
4th Quarter 2004	10.72	9.06	9.50	9.76
3rd Quarter 2004	10.72	9.06	9.50	9.76
2nd Quarter 2004	10.69	9.00	10.50	10.06
1st Quarter 2004	10.65	10.56	9.50	10.24
4th Quarter 2003	10.65	10.56	9.50	10.24
3rd Quarter 2003	10.65	10.56	10.50	10.57
2nd Quarter 2003	10.65	10.56	10.50	10.57
1st Quarter 2003	9.80	12.42	10.00	10.74

Sources:

Value Line Investment Surveys, Part 3, The Ratings & Reports
Various editions from 1994 to 2008

ALLSTATE CORP
Discounted Cash Flow Analysis
Stock Issuance Adjustment Factor

(1)	(2)	(3)	(4)	(5)
Time Period	Current Shares	Forecast Shares	Forecast Market/ Book	Stock Issuance Adjustment Factor
4th Quarter 2007	575.00	525.00	1.40	(0.90)
3rd Quarter 2007	575.00	525.00	1.40	(0.90)
2nd Quarter 2007	622.00	600.00	1.10	(0.09)
1st Quarter 2007	620.00	610.00	1.15	(0.06)
4th Quarter 2006	625.00	610.00	1.05	(0.03)
3rd Quarter 2006	625.00	600.00	1.04	(0.04)
2nd Quarter 2006	630.00	600.00	1.30	(0.36)
1st Quarter 2006	645.00	600.00	1.50	(0.90)
4th Quarter 2005	645.00	600.00	1.50	(0.90)
3rd Quarter 2005	650.00	600.00	1.50	(0.99)
2nd Quarter 2005	683.00	600.00	1.45	(1.43)
1st Quarter 2005	680.00	600.00	1.55	(1.69)
4th Quarter 2004	690.00	650.00	1.25	(0.37)
3rd Quarter 2004	690.00	660.00	1.25	(0.28)
2nd Quarter 2004	690.00	660.00	1.50	(0.55)
1st Quarter 2004	701.00	670.00	1.50	(0.56)
4th Quarter 2003	695.00	670.00	1.50	(0.46)
3rd Quarter 2003	695.00	670.00	1.55	(0.50)
2nd Quarter 2003	695.00	670.00	1.55	(0.50)
1st Quarter 2003	700.00	670.00	1.55	(0.60)

Sources:

(1)-(3): Value Line Investment Surveys, Part 3, The Ratings & Reports
Various editions from 1994 to 2008

(5) = $[(4) - 1] \times [((3) / (2)) \exp(t) - 1] \times 100$,
where t is 0.25 for forecasts.

Appendix 3

Development of the Underwriting Profit Provision
From a Given Cost of Equity

ALLSTATE CORPORATION
Estimated Cost of Equity Capital

Allstate Corporation Cost of Equity Capital Estimates

	Value	Source
(1) Fama-French Three-factor Model	8.61%	App. 1, Exh. 4, Pg. 2
(2) Discounted Cash Flow Model	13.65%	App. 2, Exh. 1
(3) Selected Cost of Equity Capital	10.00%	Selection

ALLSTATE INSURANCE GROUP

Arkansas
Private Passenger Auto

Development of the Underwriting Profit

	Liability	Physical Damage	Total	Source
(1) Average Market Value of Equity:			\$ 32,528	App. 3, Exh. 2
(2) Cost of Equity (%):			10.00%	App. 3, Exh. 1, Pg. 1
(3) Cost of Equity (\$):			\$ 3,253	=(1)*(2)
(4) Dividend Payout Ratio:			0.73	App. 3, Exh. 3
(5) Average Market-to-book Ratio:			1.55	App. 3, Exh. 4
(6) Income Due Shareholders:			\$ 3,253	=(3)
(7) Income Needed by Allstate:			\$ 2,832	=(6)/[(4)+(1-(4))*(5)]
(8) Investment Income on Equity:			\$ 852	IDF*
(9) Operating Income Needed:			\$ 1,980	=(7)-(8)
(10) Earned Premium:			\$ 25,972	App. 3, Exh. 2
(11) Operating Ratio:			7.62%	=(9)/(10)
(12) Investment Income from PHSF**:	1.18%	0.24%	0.71%	App. 3, Exh. 5, Pg. 1
(13) After-tax U/W Profit Provision:	6.44%	7.38%	6.91%	=(11)-(12)
(14) Tax Rate:	35%	35%	35%	FIT***
(15) Pre-tax U/W Income Needed by Allstate:	9.91%	11.35%	10.63%	=(13)/(1-(14))

*Investments Department forecast

**Policyholder-supplied Funds (PHSF) are unearned premium and loss reserves

***This is the federal income tax rate on underwriting profit for Allstate

Dollar values are in millions

ALLSTATE INSURANCE GROUP

Enterprise Valuation

(\$ In Millions)

Entity	GAAP Book Value*	Earned Premium	Imputed Market Value**
Total Group	21,851	27,233	33,869
ANJ/AFIC	865	1,261	1,371
Group Less ANJ/AFIC	20,986	25,972	32,528

*As of 12/31/07

**Equals GAAP Book Value multiplied by the average market-to-book ratio

ALLSTATE CORPORATION

Dividend Payout Ratio

(1)	(2)	(3)	(4)	(5) = (3)+(4)	(6) = (5)/(2)
Year	Prior Year GAAP Net Income*	Dividends	Stock Repurchases (Net)	Total Payout	Total Payout Ratio
1997	\$2,075	417	1,277	1,694	0.82
1998	\$3,105	450	1,400	1,850	0.60
1999	3,294	482	864	1,346	0.41
2000	2,720	506	1385	1,891	0.70
2001	2,211	547	612	1,159	0.52
2002	1,158	594	383	977	0.84
2003	1,134	648	-48	600	0.53
2004	2,705	779	1111	1,890	0.70
2005	3,181	846	2,203	3,049	0.96
2006	1,765	885	1,516	1,765	** 1.00
2007	4,993	901	3,483	4,384	0.88
Total	28,341	7,055	14,186	20,605	0.73

Source: 2007 Allstate Annual Report - pages 11, 117

*Dividends and Stock Repurchases for a given year are determined based on the previous year's income. Therefore, GAAP Net Income is lagged by one year so that the appropriate ratio is calculated.

**While additional payout was provided from equity funds in 2006, the dividend payout ratio is concerned with percentage of income paid towards dividends and stock repurchases. Therefore, the 2006 payout ratio is capped at 1.00.

ALLSTATE CORPORATION

Historical Market-to-book Ratios

Years	Allstate
Dec-98	1.76
Dec-99	1.08
Dec-00	1.74
Dec-01	1.38
Dec-02	1.47
Dec-03	1.47
Dec-04	1.62
Dec-05	1.73
Dec-06	1.85
Dec-07	1.35
10-yr Avg:	1.55
Selected:	1.55

Source: MSN Online Reports

<http://moneycentral.msn.com/investor/invsb/results/compare.asp?Page=TenYearSummary&Symbol=ALL>

ALLSTATE INSURANCE COMPANY

Private Passenger Auto

Calculation of Total Coverages Investment Income
From Policy Cash Flow

	Investment Income	Weight*	Source
(1) Liability Coverages	1.18%	49.9%	App. 3, Exh. 5, Pg. 2
(2) Physical Damage Coverages	0.24%	50.1%	App. 3, Exh. 5, Pg. 3
(3) Total Coverages	0.71%	100.0%	Weighted Average

*The weight given to the coverages comes from premium volume

ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO - LIABILITY

Arkansas

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 1.95%*
force of interest, given an Operating Profit of 7.62%
and six month Policy Terms

Years From Start of Policy Year	Arkansas Cumulative Percent of Losses Paid	Arkansas Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted ** to avg time of profit @ 1.95%	Discounted Payments
1	37.8%	37.8%	0.68	1.0014	37.85%
2	81.2%	43.4%	1.39	0.9876	42.86%
3	89.7%	8.5%	2.46	0.9672	8.22%
4	95.1%	5.4%	3.47	0.9483	5.12%
5	96.2%	1.1%	4.46	0.9303	1.02%
6	99.0%	2.8%	5.46	0.9122	2.55%
Subsequent	100.0%	1.0%	7.45	0.8776	0.88%
Total		100.0%			98.50%
Expected Losses and Loss Expense Ratio					64.16%
Present Value of Loss and Loss Expense Payments					63.20%
Taxes, Licenses and Fees		3.00%	0.70	1.0010	3.00%
Commissions		12.20%	0.58	1.0033	12.24%
Other Acquisition		4.60%	0.56	1.0037	4.62%
General Expense		4.90%	0.63	1.0023	4.91%
Debt Provision		1.24%	0.75	1.0000	1.24%
Profit		9.90%	0.75	1.0000	9.90%
Total Present Value of Outgo					99.11%
Premiums		100.0%	0.60	1.0029	100.29%
Difference, Present Value of Income Less Present Value of Outgo					1.18%

*Discount rate from Investments Department forecast

**exp (0.0195 x (timing of profit being earned - timing of cash flow))

ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO - PHYSICAL DAMAGE

Arkansas

Calculation of Present Value, as of the Average Earning Date
of a Policy year, of all Income and Outgo @ 1.95%*
force of interest, given an Operating Profit of 7.62%
and six month Policy Terms

Years From Start of Policy Year	Arkansas Cumulative Percent of Losses Paid	Arkansas Yearly Percent of Losses Paid	Time from Start of Policy Year	Discounted ** to avg time of profit @ 1.95%	Discounted Payments
1	72.8%	72.8%	0.63	1.0023	72.97%
2	100.0%	27.2%	1.15	0.9922	26.99%
3	100.1%	0.1%	2.30	0.9703	0.10%
4	100.1%	0.0%	3.30	0.9514	0.00%
5	100.0%	-0.1%	4.36	0.9320	-0.09%
6	100.0%	0.0%	5.67	0.9085	0.00%
Subsequent	100.0%	0.0%	7.41	0.8782	0.00%
Total		100.0%			99.97%
Expected Losses and Loss Expense Ratio					62.40%
Present Value of Loss and Loss Expense Payments					62.38%
Taxes, Licenses and Fees		3.10%	0.70	1.0010	3.10%
Commissions		12.20%	0.58	1.0033	12.24%
Other Acquisition		4.60%	0.56	1.0037	4.62%
General Expense		5.10%	0.63	1.0023	5.11%
Debt Provision		1.24%	0.75	1.0000	1.24%
Profit		11.36%	0.75	1.0000	11.36%
Total Present Value of Outgo					100.05%
Premiums		100.0%	0.60	1.0029	100.29%
Difference, Present Value of Income Less Present Value of Outgo					0.24%

*Discount rate from Investments Department forecast

*exp (0.0195 x (timing of profit being earned - timing of cash flow))

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO
ARKANSAS**

REVISION TO FUTURE EFFECTIVE DATE DISCOUNT

With this filing, we are amending the structure of the Future Effective Date Discount Allstate Property and Casualty Insurance Company in Arkansas. The proposed discount will continue to apply to Bodily Injury, Property Damage, Medical, Collision, and Comprehensive coverages for customers whose policy application is completed seven or more days in advance and have no lapse in coverage.

In amending the structure and discount levels for this discount, we have relied on both the available Allstate data as well as competitor information.

The current perpetual Future Effective Date discount is reflective of the fact that customers who shop for insurance in advance of their policy effective date show a lower propensity for loss than those who do not.

Allstate only recently began consistently populating the data fields required to identify policies that were written prior to their effective date, so we have no data to support the subsequent removal of the discount after three policy periods. Numerous prior studies show that the loss experience for customers who renew and remain insured in our book of business tends to improve over time. Based on only those studies, one could conclude that the loss experience for customers receiving the Future Effective Date Discount at new business would improve at subsequent renewals. If this were true, removing this discount and thereby increasing premiums at renewal might not be actuarially supportable.

However, Allstate is aware of other insurers who today remove similar discounts at renewal. Those competitors include:

- Nationwide Mutual Insurance Company
Advanced Quote Discount
Filed 4/15/2008 and effective 5/10/2008
State: Arkansas
Please refer to the attached Pages 16 and 660 of Nationwide's Rules and Rates Filing.

This discount applies to new business policies effective on or after January 30, 2006, if a quote is given to a customer, where credit is ordered, at least eight days prior to the policy effective date. The discount will last for three years (see rate tables).

- The Hartford
Advance Issue Deviation
Filed 10/20/2005 and effective 12/15/2005
State: Arkansas
Please refer to Page 12 of The Hartford's Rules and Rates Filing.

The Hartford applies a deviation factor of 0.90 to all class rated coverages afforded by policies with original policy effective dates of December 15, 2005 and later if the time period between the date the initial quote is written and the new business policy effective date is 7 or more days. The deviation lasts for 11 renewals going down a percent each renewal.

Because we believe that the number of days in advance that an initial policy became effective will over time become a less meaningful distinction between two customers with the same initial effective date, Allstate will also be removing the discount after three policy periods. In order to lessen the rate impact between individual policy periods, an initial 10% discount for the first two policy periods will be reduced to 5% at the second renewal, before disappearing altogether for the third.

The proposed structure of the Future Effective Date Discount will be applied to all new business and existing customers who satisfy the qualification criteria. Therefore, existing customers will receive the discount factor corresponding to the number of renewals they have completed since their policy inception. To incorporate this change into the overall proposed 4.4% rate level change, we estimated qualifying exposures and measured the impacts accordingly. See **Attachment E** for more details on the rate level impact of this change.

Please refer to the attached rule and rate pages for more details.

3. If the total number of vehicles insured by Nationwide Mutual Insurance Company within the household is two or more, the policy should be considered as "multi-vehicle" within the Matrix. For the "multi-vehicle" factor to apply, all vehicles must be owned by resident relatives.

A vehicle owned by a corporation or unincorporated association may be considered "individually owned" for purposes of this rule if the vehicle is customarily driven only by individuals within the household, and the vehicle is also insured on a personal auto policy issued by Nationwide Mutual Insurance Company. Only those vehicle types eligible for the Matrix that are insured for both BI and PD are to be considered when determining the number of vehicles insured by Nationwide.

4. "Terms insured with Nationwide" within the Matrix shall be determined by those policies that have been in force in any of the Nationwide Companies (described in the DEFINITIONS section of this manual), which may include an interruption in coverage that did not exceed three years. Any period of interruption shall not be included in determining the length of time the policy has been in force.

New Business Rule

1. Policies will be assigned to a "Prior BI Limits" category based on the lower of the BI limits carried with the Insured's most recent prior carrier or the BI limits selected on the Nationwide policy.

Renewal Business Rules

1. An account's "Prior BI Limits" category may move up one rated threshold level per year if the Policyholder has maintained a Bodily Injury Limit greater than their current "Prior BI Limits" category for a period of two consecutive terms.
2. Accounts written as new business prior to July 29, 2004, will be assigned to a "Prior BI Limits" category based on the policy's Bodily Injury selections prior to the first renewal on or after July 29, 2004.

BI Matrix Factor

PD Matrix Factor

MDCL Matrix Factor

COMP Matrix Factor

COLL Matrix Factor

ADVANCE QUOTE DISCOUNT

Eff. 8-1-07

This discount applies to new business policies effective on or after January 30, 2006, if a quote is given to a customer, where credit is ordered, at least eight days prior to the policy effective date. The discount will last for three years (see rate tables). Existing Nationwide insureds are not eligible for the discount. This discount does not apply to policies eligible for the Intra Agency Transfer discount.

The Advance Quote Discount is applicable to the following coverages: Bodily Injury, Property Damage, Medical Payments, Family Compensation, Comprehensive, and Collision.

The following rules are applicable:

1. This discount is only applicable for the Nationwide Mutual Insurance Company.

RX03TM20: PLCY Advance Quote Discount Factor

Effective Date: AUG-01-2007

Policy Insured Term	Pricing-OSU-Eff-Date	Prior Carrier Company Code	Shopping Days	Advance Quote Discount Factor
	<20060130			1.000
		Nationwide Prior Carriers incl Titan		1.000
			0-7	1.000
001	>20070731		8	0.920
001	>20070731		>8	0.920
002	>20070731		8	0.930
002	>20070731		>8	0.930
3	>20070731		8	0.940
3	>20070731		>8	0.940
4	>20070731		8	0.960
4	>20070731		>8	0.960
5	>20070731		8	0.970
5	>20070731		>8	0.970
6	>20070731		8	0.980
6	>20070731		>8	0.980
>6	>20070731			1.000
001	>20060129		8	0.950
001	>20060129		>8	0.950
002	>20060129		8	0.975
002	>20060129		>8	0.975
Not(1, 2)	>20060129			1.000

RX03TM22: PLCY Preferred Discount

Effective Date: JUL-28-2006

Preferred Discount Flag	Preferred Discount	Preferred Discount Flag	Preferred Discount	Preferred Discount Flag	Preferred Discount
08	0.85	09	1.00	Not(08, 09)	1.00

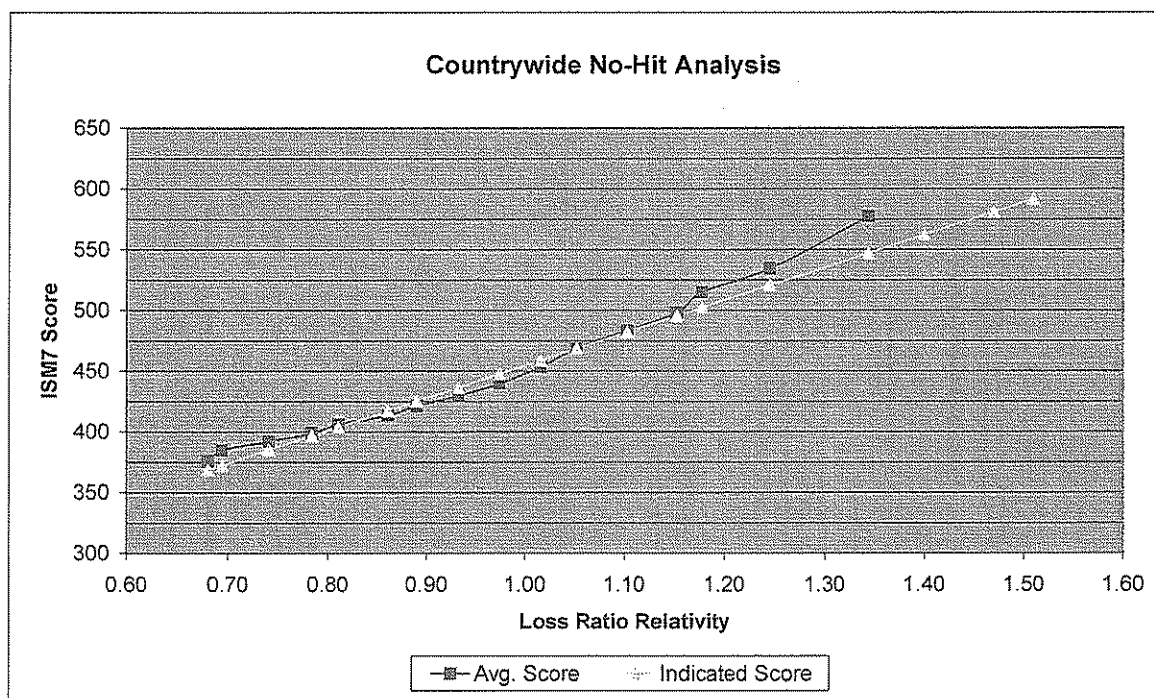
**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO
ARKANSAS**

**ATTACHMENT D
REVISION TO INSURANCE SCORE FOR NO-HITS AND THIN-FILES
RULE 23 – POLICY GROUP**

With this filing, Allstate is proposing a revision to the Insurance Score associated with No-Hits and Thin-Files in Age Group 19-64. Based on a countywide No-Hit analysis performed on sixteen states, including Arkansas, the indicated No-Hit Insurance Score for Age Group 19-64 is significantly higher than the current Insurance Score for this Age Group. Therefore, Allstate is proposing an Insurance Score of 590 for No-Hits and Thin-Files in Age Group 19-64. **Exhibit I** of this attachment displays the analysis supporting this revision. Please note that no revisions are being proposed to the assigned Insurance Score for No-Hits and Thin-Files for the Age Group <19 or the Age Group 65+.

ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY &
ALLSTATE FIRE AND CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO

EXHIBIT 1
INDICATED & RECOMMENDED INSURANCE SCORES FOR NO-HITS



IS Group	CW Cut Offs	Loss Ratio Relativity	Average Insurance Score	Indicated Score***
1	0 - 381	0.68	376	369
2	382 - 388	0.69	385	372
3	389 - 395	0.74	392	385
4	396 - 402	0.78	399	396
5	403 - 409	0.81	406	404
6	410 - 417	0.86	413	417
7	418 - 425	0.89	421	425
8	426 - 433	0.93	430	436
9	434 - 446	0.97	440	448
10	447 - 460	1.02	453	459
11	461 - 476	1.05	468	468
12	477 - 490	1.10	483	482
13	491 - 506	1.15	498	495
14	507 - 524	1.18	515	502
15	525 - 546	1.25	534	521
16	547 - 999	1.34	578	547
Total	-	1.00	429	-

No-Hit **

Age Group	Theoretical Loss Ratio Relativity*	Current Score	Indicated Score	Recommended Score
<19	0.95	455	441	455
19 - 64	1.50	505	589	590
65+	0.96	430	444	430
All	1.46	-	578	580

States Included AR, AZ, CO, DC, DE, ID, IL, KY, MO, NE, NV, OR, RI, UT, WV, WY

*Loss ratio relativities exclude the tier rating factors.

** Data from Calendar/Accident years 2005-2007 @ 6/07

***Determined using a least-squares regression

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO
ARKANSAS**

RATE LEVEL IMPACT OF REVISIONS

Rate Level Impact due to the Revision to Future Effective Date Discount

The rate level impact of the above rating plan revision detailed in **Attachment C** is shown below. These impacts have been measured using an extension of exposures method and a recent snapshot of policyholders in AP&C with an estimated Future Effective Date discount distribution. Please note that these impacts are not the total impacts. The total rate level impacts by coverage are shown in the Summary subsection of this attachment.

Coverage	Rate Level Impact
Bodily Injury	3.9%
Property Damage	3.9%
Medical	4.0%
Collision	4.0%
Comprehensive	4.1%

Revision of Rate Adjustment Factors

To achieve the selected rate level changes for the rating program, Rate Adjustment Factors (RAF) will be revised for the following coverages: Bodily Injury, Property Damage, Medical, Collision, and Comprehensive. These selections along with the revision of rating plan factors shown on Page 1 will achieve the selected rate level changes shown in **Attachment A**.

Coverage	Current RAF	Proposed RAF	Change
Bodily Injury	1.184	1.243	5.0%
Property Damage	1.176	1.235	4.9%
Medical	1.350	1.636	21.2%
Uninsured Motorists	1.023	1.023	N/C
Underinsured Motorists	1.020	1.020	N/C
Collision	1.039	0.999	-3.9%
Comprehensive	1.038	0.998	-3.9%

A RAF is applied to the territorial base rate uniformly by coverage. A revision of a RAF is equivalent to a territorial base rate change that does not vary across territories.

Please also note that the changes above are not the total rate level impacts for the program. The total impacts are shown in the next subsection and reflect the changes from both the revision to rating plan factors as well as the revision to Rate Adjustment Factors.

Summary of Rate Level Impact

The combined impact of the rating plan factor revisions and RAF revisions is shown below.

Coverage	Rating Plan Factor Changes	RAF Change	Total Change
Bodily Injury	3.9%	5.0%	9.0%
Property Damage	3.9%	4.9%	9.0%
Medical	4.0%	21.2%	26.0%
Uninsured Motorists	N/C	N/C	N/C
Underinsured Motorists	N/C	N/C	N/C
Collision	4.0%	-3.9%	0.0%
Comprehensive	4.1%	-3.9%	0.0%

**ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO
ARKANSAS**

**ATTACHMENT F
SUMMARY OF MANUAL CHANGES**

Rule Pages

Page 23-1 – Rule 23: Added wording to describe the No-Hit and Thin-File Insurance Score for policies with credit ordered or reordered after 2/23/09.

Page 62-1 – Rule 62: Revised wording of the Future Effective Date Discount Rule so that the discount applies only during the first three policy periods.

Rate Pages

RP-2A – Premium Calculation: Rate Adjustment Factors have been revised for Bodily Injury, Property Damage, Medical, Collision and Comprehensive coverages.

RP-3A – New Car Expanded Protection Premium Calculation: Rate Adjustment Factors have been revised for Collision and Comprehensive coverages.

RP-19A – Rating Factors: Future Effective Date Discount factors have been revised.

**ALLSTATE PROPERTY & CASUALTY INSURANCE COMPANY
PRIVATE PASSENGER AUTO
ARKANSAS**

Response to letter dated November 17, 2008 regarding Filing #R20571

- 1. Please advise why you are not requesting a decrease for comprehensive, since the indication is for a 36 percent decrease.**

When determining selected rate level changes by coverage, consideration is given to the impact these changes may have on customers. By selecting a 0.0% rate level change for Comprehensive coverage, Allstate is able to mitigate the policyholder impacts, while still achieving the overall 4.4% selected change. For example, if the proposed rate level change for Comprehensive coverage was -36.0%, selected changes for liability coverages (Bodily Injury, Property Damage, Uninsured Motorist, and Medical coverages) would have to increase to maintain the overall requested 4.4% rate level change. In this instance, an existing customer who only carries the four coverages listed above would see an impact greater than 22%. While the indicated rate level change for liability coverages (Bodily Injury, Property Damage, Uninsured Motorist, and Medical coverages) in this filing is 24.8%, with the selected changes by coverage shown in the filing, the average increase for an existing policy carrying these four coverages is 8.8%.